

H.R. 3400, GOVERNMENT REFORM AND SAVINGS ACT

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H.R. 3400, Government Reform and Sa...

HEARING BEFORE THE COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE ONE HUNDRED THIRD CONGRESS FIRST SESSION ON **H.R. 3400**

TO PROVIDE A MORE EFFECTIVE, EFFICIENT, AND RESPONSIVE
GOVERNMENT

FEBRUARY 23, 1994

Printed for the use of the Committee on Governmental Affairs

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WEDNESDAY, FEBRUARY 23, 1994

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H.R. 3400, GOVERNMENT REFORM AND SAVINGS ACT

WEDNESDAY, FEBRUARY 23, 1994

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:06 a.m., in room SD-342, Dirksen Senate Office Building, Hon. John Glenn, Chairman of the Committee, presiding.

Present: Senators Glenn, Levin, Dorgan, Roth, and McCain.

OPENING STATEMENT OF CHAIRMAN GLENN

Chairman GLENN. Good morning and welcome to our hearing.

The Governmental Affairs Committee meets today to hear testimony on the Government Reform and Savings Act. This bill, H.R. 3400, is the administration's first comprehensive "reinventing Government" legislation after the National Performance Review. In November, the bill passed the House, with amendments, and now has been referred to our Committee in the Senate. There will be other committees that will be involved with it also.

Action on this legislation, as well as on the many important reforms proposed in the administration's 1995 budget, is heartening evidence of a very serious resolve to reform the way Government does its business, to reform many of the functions of Government.

For their initiative in pressing this agenda through the National Performance Review, I want to congratulate both the President and the Vice President. The NPR uncovered many problem areas in agency organization and operations. In a fundamental sense, the NPR challenged both the executive and the legislative branches to join together to create a Government, as the NPR put it, "that works better and costs less."

In H.R. 3400 we have a clear set of reforms, and we will carefully examine its proposals and move needed legislation.

It is important to note that while we have the entire bill before us, we will only consider those parts of H.R. 3400 that are within our jurisdiction; namely, personnel, financial management, and general management. Sections dealing with specific agencies or appropriations will be considered by the appropriate authorizing or appropriations committees. As we begin to move the legislation, I will consult with the majority leader to ensure that referral arrangements can be worked out with the other committees.

As for our part of the bill, I plan to quickly mark up and report out this important legislation. The Governmental Affairs Committee has always taken the lead in reforming Government. That is

part of our mandate on this Committee, part of our assigned task. We were the authors of the Chief Financial Officers Act, the Inspectors General Act, the Federal Managers' Financial Integrity Act, and the Government Performance and Results Act, all of which were designed to improve the management and accountability of the Federal Government.

Only a few weeks ago, the Committee heard testimony from our witnesses today, Comptroller General Charles Bowsher and Dr. Alice Rivlin, on the need to press forward to improve Government management. H.R. 3400 gives us another opportunity to make progress in getting the Government's house in order. Improving performance and eliminating fraud and waste and abuse will help to strengthen the Government's credibility and ensure that tax dollars are wisely spent.

I am particularly interested in the legislation's CFO Act amendments. Extending the requirement for annual audited financial statements to all of the 23 agencies covered by the act will, in my judgment, do much to improve agency fiscal responsibility and ultimately improve the performance of agency programs.

In the 4 years since the passage of the CFO Act, we have had 10 pilot agencies that completed agency-wide audited financial statements. It's hard to believe that we have never done that in the Federal Government, had a year-end audited statement like any business would have to do. In my opinion, those pilots have been successful. They have led to a better use of tax dollars. They have saved the Government tens of millions of dollars already, and I think it is high time we do the same thing in the rest of the Government. All we have to do is expand the CFO Act.

We will include in the record at this time the statement of Senator Lieberman.

PREPARED STATEMENT OF SENATOR LIEBERMAN

Mr. Chairman, thank you for your leadership in turning the Committee's attention once again to the difficult, but critically important task of reinventing government so that "it works better and costs less." I am delighted that the House of Representatives acted so quickly last year in passing a comprehensive reform package that included so many of the National Performance Review recommendations. I hope we can rise to the same challenge and implement as many of the NPR reforms as possible, whether that be through this legislation, or other bills that will be before this Committee and the Senate this year.

The Administration's commitment to this effort is clear. The President's proposed budget includes a number of the NPR reforms and I know that the Vice President and his staff, as well as Cabinet secretaries, are committing substantial time and resources to this effort. The momentum for reform created by the Vice President's extraordinary NPR report is supporting a number of other bills that will be before this Committee.

So many of the best ideas in the NPR report that are incorporated in the bill before us—for example, the establishment of revolving funds within agencies to support innovative initiatives that save money or improve performance—came directly from Federal employees who told the Vice President in plaintive terms in an unprecedented series of meetings how frustrated they were about their inability to do their jobs. As the NPR report made clear, it is not only the private sector that must navigate its way through sometimes contradictory, often overlapping government regulations. But Federal, State and local government workers face a Federal regulatory maze that is more constricting and daunting by many multiples. The NPR report was founded on the notion that those who carry out Federal programs and mandates—whether they be GS-10s at the Department of Agriculture or grant administrators across the country—should be freed from those rules and regulations to use their common sense.

Reforming government, as the Chairman knows so well, requires some hard choices. They are choices, however, that State and local government and private industry have been forced to make for years. We have to accept the reality that we are going to have to make do with less. Our problems have not shrunk but the available resources to address them clearly have. They will shrink further if we cannot prove to the American people that they are getting value for the hard-earned dollars that they hand over to the Federal Government every April.

We all know that government reform efforts have failed time and time again. Such failures obviously feed the deep cynicism that exists in this country about government and Washington. Even those of us who believe in government and its promise for a better life, know how difficult it is to make the smallest of changes.

I hope we in the Senate have the discipline and will to act on changes that admittedly will offend some, will not create headlines, but which are vitally important to restoring trust in government. We will not be able to accomplish anything in the future without that trust. Let's prove wrong the perception among many that Congress will act as an obstacle to these common sense reforms. Patience is thin. Cynicism is high. We have a report that can and should serve as a charter and inspiration. It's time to act.

Chairman GLENN. Today we will hear first from Charles Bowsher, Comptroller General of the United States, and he will be followed by Dr. Alice Rivlin, Deputy Director of the Office of Management and Budget.

Mr. Bowsher, it is always good to hear you and your words of counsel. We look forward to your testimony. Thank you very much.

TESTIMONY OF HON. CHARLES A. BOWSHER,¹ COMPTROLLER GENERAL, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY GENE L. DODARO, ASSISTANT COMPTROLLER GENERAL, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION, AND JEFFREY C. STEINHOFF, DIRECTOR OF PLANNING AND REPORTING, ACCOUNTING AND INFORMATION MANAGEMENT DIVISION

Mr. BOWSHER. Thank you very much, Mr. Chairman. I am accompanied today by Gene Dodaro on my left, who is the Assistant Comptroller General for our accounting and financial management work, and on my right is Jeff Steinhoff, who is his Deputy and who has played a big role in all of this work over the years.

It is a pleasure to appear before you today to discuss key management aspects of H.R. 3400, the Government Reform and Savings Act of 1993. In 17 separate titles and over 70 provisions, H.R. 3400 makes a host of specific legislative proposals covering a wide range of topics, from those related to improving individual agency operations to furthering broad-based Government initiatives. Today, as you requested, I will focus my remarks on those sections of the legislation that concern financial management, general management, and human resource management.

Most of these management proposals originate from the Vice President's major National Performance Review. They are directed at moving toward a smaller, more efficient Government which stresses accountability and managing for results. As I emphasized in my testimony last month before this Committee on sustaining and enhancing management reforms, I am very encouraged by recent actions by the Congress and the administration to move in this direction.

¹The prepared statement of Mr. Bowsher appears on page 218.

Consequently, we are generally supportive of the thrust of the proposed management improvement sections of H.R. 3400. I will point out certain provisions today, especially the requirement for audited financial statements for the Government's largest 23 departments and agencies, that are vital to meaningful management reform and should be swiftly enacted. In a few cases, especially in the franchise and innovation funds area, we have some serious reservations about the provisions as now structured in the bill. We support this concept, the overall concept, but we do have some serious reservations, Mr. Chairman. We would be happy to discuss those in the questions and answers with you.

Finally, we have a number of refinements to individual sections that we will offer and one suggestion for an additional provision focused on preparing and auditing a much needed consolidated picture of the Federal Government's financial condition.

First, talking about requiring audited financial statements for all major agencies, let me just read the first two paragraphs, and then what I would like to do is summarize the rest of my statement, Mr. Chairman, and if the full statement could be put in the record.

Chairman GLENN. Fine.

Mr. BOWSHER. Let me first turn to this area of expanding the Chief Financial Officers Act's requirement for audited financial statements, contained in section 16005 of H.R. 3400. Enacting this provision is essential to enhancing ongoing financial management reforms to ensure basic accountability and to produce the facts needed to run our Government effectively. It is absolutely critical that we expand and make permanent the CFO Act's audited financial statement requirements for all major departments and agencies. As discussed in our 1988 and 1992 transition reports on financial management, unless we achieve success here, our leaders will continue to be crippled in their ability to control costs, evaluate performance, or adequately implement calls for broader management improvements.

The CFO Act, sponsored by this Committee, provides the blueprint for essential financial management reform. Since its enactment in late 1990, we have seen important progress in directly confronting serious financial management weaknesses. In particular, the act's requirement for producing annual audited financial statements on a pilot basis is demonstrating its value in many important ways.

First, a much clearer picture is emerging on the Government's true financial condition. I think the audits that we reported to you last year on IRS and the U.S. Customs Service was a good example of how these audited statements help put in much better perspective what the real financial conditions of those departments are. And if you remember, Mr. Chairman, we had a very large figure for the receivables, and actually as we audited that figure and got it down to a much more realistic figure, I think of about \$19 billion on the receivables, that has been what they should be working on to try to collect that money.

I think also there is discipline in these audited financial statements. We have seen so much waste and mismanagement. One of the reports that we made to this Committee on the Army audit was the \$6 million of payments to people who are out of the service,

who had their discharge, and were still getting paychecks. That could have gone on for a long time.

Also, the safeguard of Government assets which we pointed out, especially in the two large defense audits of the Air Force and the Army.

And, of course, accounting errors of tremendous magnitude in all these first-time audits I think have been an indication of the long need for more discipline in the financial reporting in the Federal Government.

We also have savings of over \$200 million, and I think the CFO and the IG communities' strong support and their papers that they have submitted to your Committee are also an indication that the benefits for these audited financial statements far outweigh the costs.

Now, the present CFO Act was a good start, as you said in your opening statement, Mr. Chairman, and now we need to include the whole Government. If you think about it, that is what we did after the 1929 stock market crash when the Congress passed the Securities Acts of 1933 and 1934. We said then that the public deserves to be protected and have some good information from any private corporation that is going to sell securities in the public arena.

We made progress after the unfortunate New York City fiscal crisis on the State and local government which was culminated by this Committee's leadership and the Congress passing the Single Audit Act in the early 1980's, and now 20 years later I think it is important that we put the Federal Government under the same requirement; that is, to have an annual financial report of the 23 largest agencies each year.

I think the present Commissioner of the IRS, Ms. Richardson, said it very well in her previous statement when she said, "First and foremost, based on our experience with the recent GAO audit, we believe that all Government agencies should prepare annual financial statements and have them audited. Our experience has been that the benefits of systematically identifying problems and measuring progress are truly significant. In addition, as I have stated earlier, the real value of audited financial statements is the comprehensive view they provide of the financial management issues that confront the IRS in effectively and efficiently running our operations."

Also, as I pointed out earlier here in my statement, we do believe that it would be good to have a government-wide financial report at the end of the fiscal year that could be shared with the American taxpayers and the public. The Treasury has been putting out a prototype for some years, and we think it would be much better if that word "prototype" did not have to be on the cover and that the accounts were proper. And I think if we get the 23 agencies properly audited, why, that would be an easy transition.

Congressman Cox and some of the other Members of the Congress are sending out annual financial reports today to their constituents, which is an effort to try to keep them informed. I think we ought to have an official report that goes out from the Treasury and the President, and I think that would be a good addition to this bill.

Mr. Chairman, on the general management issues, again, we do support the efforts here on the prototypes of the Government Performance and Results Act which your Committee was the leader in passing here in the Congress. We want to report to you on the prototypes. I believe there are 53 scheduled here, with more to be announced in March and in the fall. And, again, we would like to strongly urge that the Congress consider biennial oversight hearings where they can actually find out from the head of the agency just how things are going, how well the performance reports—what kind of performance they are reporting, the financial reports, the GAO audits, the IG audits, and other things, so that we could actually enhance the overall oversight by the Congress of the various Government agencies.

In the human resource management issue, why, there is the administration's effort here to achieve a smaller, more efficient Government. We support that. The 252,000-position reduction is an important part of that. On the early-out program, I believe my big caution to everyone is that they need a good plan agency by agency as to how they are going to do that. And how are they going to bring the leaders, the younger people up into the leadership positions? We just went through that at GAO, and if you plan ahead, why, it works very well. I think if you do not plan ahead, you can have a lot of problems. So I think that is a very important area that the Congress ought to monitor very closely, but I think what the administration is trying to do—that is, to achieve a smaller, more effective and efficient Government—is a very fine goal and it should be pursued.

I think also as you move toward that goal, why, one of the keys, of course, is good financial reports and accounting and really keeping score on how things are working. And that is why we urge very much that the Congress pass H.R. 3400.

Mr. Chairman, that concludes my prepared remarks. We would be happy to answer any questions.

Chairman GLENN. Thank you very much Mr. Bowsher. I do have a number of questions in several different areas. We will flip around to different subjects.

You raise several concerns about the innovation and franchise funds proposed in H.R. 3400. I have been concerned about those, too. We have some 250 revolving funds which generally were established through appropriations. If I understand the franchise and innovation funds proposal correctly, agencies will not need congressional approval to use those funds.

Won't this approach undermine congressional oversight and the appropriations process? How will that work?

Mr. BOWSHER. Well, I think there is concern there, and I think the one thing we would like to point out here is that the Congress over the years, I think, has been pretty good in approving revolving funds and special funds when the administrations would come forward with a good plan. And one of the big things has always been: What is the purpose of setting this up, and how are you going to monitor it, and how are you going to review it?

So it seems to me that starting now, where you set up the fund and only later does the Congress really get a chance to look at it, is a major change, and I wonder if it is not better to have it where

the administration proposes and what is the purpose of what they are trying to achieve, what is the business plan, how are they going to monitor it. I have heard that they have some thoughts about advisory committees. I think all of that would make more sense myself than the way the law is structured right now, because I think right now you could have the purpose of the funds changed. In other words, what Congress has already appropriated, that money could be used for another purpose, and you can certainly change annual funds into multiyear funds with the way the legislation is now worded.

I am just not sure that it is good to have such a major change here, and at the same time, I believe that having some innovation and franchise funds for special purposes, especially in this new era of technology and everything like that, probably makes some sense. So I think the big thing is to try to get it so that the Congress has good insight as to what is going to be done here and they can monitor it carefully.

Chairman GLENN. How do we have accountability with this? What is to prevent agencies from just padding their budget requests? It seems to me there would be a temptation to do that. I guess many of us recall only all too recently the M accounts. We got rid of those. Are these mini M accounts that we are about to reconstitute?

Mr. BOWSHER. Well, I think that there could be that temptation. At the same time, with the tight budget years we have here, it would not be too easy for the agencies to be padding budget requests and putting off legitimate expenses. But I think the temptation would be there, and I think also there would be some people maybe thinking that that is what happened when maybe it had not happened.

In other words, I think there would be a great debate sometimes as to are the agencies deferring spending so that they can accumulate the money and put them in these kinds of funds. And so I think that is an area that needs careful watching.

Chairman GLENN. What are some of the specific problems you have been having with these funds? Can you give us a rundown on that?

Mr. BOWSHER. I think the two biggest problems that we have reported on over the years is a lot of them were set up to be self-sustaining and they do not end up being self-sustaining. In other words, the cost accounting is so poor that lots of times, why, the cost and the pricing is so poorly done that they then have to come back fairly regularly to the Congress asking for additional increments of money into the fund, which was not the original intention. In other words, when you set up a lot of these funds, the idea generally was that the money would be set up once and then the pricing of the services or the products would be such that it would include depreciation, it would include the ability to fund the overall program that the fund was established for. And yet time and time again, they have had to come back to the Congress for a replenishment.

So I think the accounting and the cost accounting is very important because if you do not know what your costs are, it is lots of

times very hard to price effectively when you are dealing with a Government revolving fund.

The second big problem, of course, is controls. In other words, do you have controls over this money, and can you report on that? And we have seen quite a bit of problems, and as you know, Senator, the DBOF fund that is in Defense right now is one that everybody is worried about and we are doing a lot of work on.

Chairman GLENN. We have been told that franchise funds are needed to increase flexibility and competition for administrative services. Now, is that true? And even if we do want more competition, aren't we better off just encouraging it within existing revolving funds?

Mr. BOWSHER. Well, I think a lot could be done with the existing revolving funds. I can see some advantages on some big efforts where you are trying to do cross-servicing like data processing and things like that in some of the major Cabinet Departments, and you want to make that service available maybe to all the bureaus in that department and also possibly to have outside customers, why, maybe a franchise fund would make some sense.

I have always felt that what was holding the Government back was not necessarily the funding and the budgeting methods; it was more that they just did not come forward with these kinds of ideas and present them to the Congress. I have always thought that the Finance Center in New Orleans made so much sense. That is where we do the accounting now or have the accounting done for GAO. And I have always thought that we ought to have a couple more of those type organizations. That was set up under existing accounting and budgeting rules and I think has worked well. That is one that I think has worked well. In fact, the price has even come down. They have got some control problems, but they should be able to get on top of those.

But that is kind of where a franchise fund could be useful. But, again, I think it would be good if when they came and asked for a franchise fund, that they did it up front as to what is going to be accomplished by this effort, and then to have the Congress be part of the decision right from the beginning.

Chairman GLENN. Yet it seems to me there may be even more problems with innovation funds.

Mr. BOWSHER. Yes, in the innovation funds, one of the concerns I think the Congress has to wonder about is: Is the money being diverted for different purposes?

Chairman GLENN. Yes. They appropriate for one thing—

Mr. BOWSHER. In other words, you appropriate the money for certain purposes, and then as the money gets pulled into these funds, does it shoot off and do something quite different?

Again, if the administration comes forward and shows what they are trying to achieve, showing how they maybe can get some savings and accumulate these savings and things like that, maybe it would have some sense. But right now, the way the legislation is worded, I think the Congress ought to be concerned.

Chairman GLENN. I believe, too, that the bill states that loan repayments to the innovation funds shall take priority over any other obligation. Is that a problem?

Mr. BOWSHER. Well, that could be a problem down the road because, as we have seen, like in some of the big funds at Defense, they get into some deep financial problems. And then if you are just going to automatically take the funds from somewhere else, you could have a problem on your hand, I would think.

Chairman GLENN. No one is against flexibility and innovation if it is under control and there is accountability. But do you have any idea as to how we can do this while maintaining congressional authority over spending so that we are not just appropriating funds?

Mr. BOWSHER. I think the big thing is to have the administration come forward—and I think in the budget they have one or two there that look much more reasonable—with what their plan is as to what they want to achieve, what they want to do, not to have all these automatic fund flows into the fund, you might say, like using old money and things like that; and just say to the Congress this is what we want to achieve, we would like to have a special fund for it, we would like to do it this way, we will report back to you on an annual basis. And I think if you did that, why, I think Congress would be willing to go along with it. And I think later on people would feel much more like they were part of the plan rather than finding out later that maybe something got done that they had no idea was going to happen.

Chairman GLENN. We are very high on, as you know—and we have talked to you many times, and you were one of the people that helped to put together and get through—the Chief Financial Officers Act, CFO Act. Do you think agencies can meet the proposed March 1, 1997, deadline for audited agency-wide financial statements? Because the past record shows it has taken quite a number of years to really get departments or agencies around to where they really can do an audited statement and have it mean anything. Could they meet that 1997 deadline?

Mr. BOWSHER. I think it is doable in 1997. In other words, I think the first year that the agencies try to do this, they always have trouble. We had trouble when we first tried it at GAO. We now get our books closed and issued in 6 weeks, and we have the CPA audit done by the 1st of December. So it is very doable. In the larger agencies, I think it is harder. That is why we kind of went with the March 1st deadline. But there is no question in my mind that what we have had is a kind of lazy closing processes in the Federal Government that for years everybody tolerated, and there is no reason why the books cannot be closed up and audited on a much more efficient basis.

I think March 1st makes a lot of sense because the Congress needs that information. So I will not say that you are going to have all clean opinions by March 1, 1997, but I think that the agencies could get the information pulled together and issue the reports.

Chairman GLENN. You recommend that even with department-wide audited financial statements some components of departments—for example, military services or the IRS—should still be required to submit statements. Could you expand on that a little?

Mr. BOWSHER. Yes, I think that is very important. In other words, I think that there are large components in the Federal Government that are part of an overall super-agency, Cabinet Department lots of times; but these are so large that it would be better

to have an individual statement for that entity. And our Accounting Standards Board is looking at that. They have actually got a project called Entity and Display which they are going to try to lay out which are the important ones.

But I think that in the Defense Department, when you are talking about \$260 billion and you have services there at \$80, \$90 billion of budgets and \$300 billion of assets, it makes all the sense in the world to have separate statements there. I think like at Treasury it makes a lot of sense to have separate statements for the Customs department and for the IRS department.

It is kind of like the big holding companies in the private sector. In other words, when you have manufacturing facilities and banks and insurance companies and everything like that, you ask for separate statements on those in addition to the consolidated statement. And so I think we ought to figure out the major breakdown of the Government in the same way and the same on big funds. And we have done that as part of the pilot. If you think about it, Mr. Chairman, we have audited some of the big funds. We have also audited some of the department-wide statements.

When we did the Agriculture Department, why, the 1992 audits broke down this way: You had the consolidated report; then you had the Farmers Home Administration, the Commodity Credit Corporation, the Federal Crop Insurance Corporation, Food and Nutrition Service, Forest Service, the Rural Electrification Administration, and the Rural Telephone Bank. And when you got those all done and pulled together, why, you had a good picture of what the financial situation is there.

So I think doing it that way makes a lot of sense, and it is really the way the auditing has been done in the State and local government and in the private sector. Like out in the State of California, the big California university system, they have a separate audit that is then folded into the total audit of the State.

Chairman GLENN. Well, you propose another amendment to strengthen the CFO Act by requiring a single government-wide audited financial statement, a whole total statement of the Government, right?

Mr. BOWSHER. That is right.

Chairman GLENN. And this would be used for what? The Congress and the public?

Mr. BOWSHER. I think so. In other words, like in the last couple of years, the IRS has put on their 1040 form a kind of pie chart, a summary of where the money is, where it comes from, things like that. Individual Congressmen are sending out financial reports. The Treasury is sending out a prototype. The OMB sends out their budget report at the beginning of every year. This year they had a very good section in there about the potential for an overall financial statement.

I think what is long overdue here is some kind of a consolidated or combined statement that gives the American public the financial status of their Federal Government.

Chairman GLENN. Have you run an estimate on how much it would cost to do a government-wide audit?

Mr. BOWSHER. Yes. That would not cost very much because if you have the 23 largest agencies being audited, as H.R. 3400 requires

here, then to pull the consolidated effort together would be a very small percent of the total effort.

Chairman GLENN. How do we do this with all the different accounting systems we have? Do we have to fix that before we can do this so you can run a total? Because you have testified before that we have some 200 different major—first off, there are 400 different accounting systems you had identified. I did not know accountants could invent 400 different systems, quite frankly.

Mr. BOWSHER. Give them enough years they can.

Chairman GLENN. I think then you testified there were 200 different major systems. The Army alone, for instance, has 43 different accounting systems you identified.

Is that going to be an impediment toward giving this total statement?

Mr. BOWSHER. It will be somewhat of an impediment, but I think by forcing an annual report and having it audited, that then gets everybody saying, well, we do not want to keep living with these old antiquated systems, and they will start to consolidate them.

It is not an impossibility. You can do it with the different systems, but it makes it more difficult.

Chairman GLENN. You support the EFT, the electronic funds transfer provisions, and you feel substantial benefits will be gained from those. What would be some of those advantages and disadvantages?

Mr. BOWSHER. I do, and we have historically at GAO, and Jeff Steinhoff here on my right has worked in this area for many years. I would like Jeff to answer that.

Mr. STEINHOFF. Mr. Chairman, NPR focuses a lot on the use of technology and really trying to bring the Federal Government to the modern electronic age, and there is just vast potential in this whole area. We are talking about salary payments, benefit payments, receipts of the Government. Today, less than half of our disbursements are made electronically. A very small percentage of any benefit payments are made in that way. Less than 10 percent of our revenues come in that way.

There is on precise price tag. To date, I can say that it is widely held that the cost of actually issuing a check is 36 cents, and the cost of an EFT transfer is 6 cents. But I think there is even greater potential in large dollars, and great potential as we move to smaller, more efficient Government to better service and better control.

What H.R. 3400 does is really address one facet of what is really a major challenge. The public is accustomed in their everyday life to using technology, and we are not really mastering that.

Chairman GLENN. Would this get down to individual personal checks being eliminated and transfer of funds electronically?

Mr. STEINHOFF. Yes.

Chairman GLENN. People are also used to getting checks. Now they are going to have to get used to just transfer by electronic means?

Mr. STEINHOFF. Well, I think we are really in an information age today, in an age of technology where society is changing, and Government has to take advantage of the things that are going on around Government today. It would get down to even using things such as debit cards for food stamps where a recipient would go into

their local store and their card would be debited, which would provide a lot better control and a lot less cost.

This bill just deals with one facet, Federal employee and retiree checks.

Chairman GLENN. And you tie the whole thing together with a computer system so that you can do your audits and so on.

Mr. STEINHOFF. Yes.

Chairman GLENN. Much easier, I would presume. Right?

Mr. STEINHOFF. Yes.

Mr. BOWSHER. Oh, yes. That is right.

Chairman GLENN. We are on the management side, management reporting. You support the view that management and financial reports should be consolidated and streamlined. Do you support giving OMB's Director the authority to come forward with needed consolidations, eliminations, and adjustments? Do you have any suggestions on that?

Mr. BOWSHER. Yes, I do support that. The one thing I would like to do is work closely with OMB on that, and also, as I pointed out earlier, the Accounting Standards Board is working hard on the overall financial report format and everything like that. But I think that to bring about some of this consolidation and streamlining makes a lot of sense.

Chairman GLENN. Do you have any specific suggestions on how agency or OMB reporting could be streamlined?

Mr. BOWSHER. Well, I think that a lot of the reports could be streamlined, and I think, again, one of the great things would be if we went to this biennial oversight hearing with the Congress and came forward with an annual report. You know, we have our annual report now every year with the CPA audits, the background I submitted, and it is a very readable document. It is not 200 pages.

Chairman GLENN. You are talking about biennial budgeting now?

Mr. BOWSHER. Well, no, even if you had the annual budgeting. But I would at least have an oversight hearing—you could either do it annually or biennially, but I see like here is the Department of Treasury, the Bureau of Engraving and Printing, and they have a good annual report now and audited statements. So I think when you get down to something that people can read and use and find out how the performance indicators are going, then you are really starting to communicate with the Congress as to what your agency has accomplished. And I think we could get rid of a lot of the other reports that have grown up over the years.

Chairman GLENN. Yes. GAO has been reporting for years on Federal Government debt collection efforts. You alluded to some of these earlier in your statement, I believe, and we continually bring up that IRS has \$18.7 billion out there that should be collected.

Mr. BOWSHER. Right.

Chairman GLENN. It is not the \$115 billion or whatever it is that they are owed. These are estimated to be actual collectible debts if we just had the people out there doing it. We have some debt collection efforts.

What is your opinion of the provisions in H.R. 3400? Are they going to hurt or help debt collection? Do you think they are a good step forward?

Mr. BOWSHER. I think they are basically going to help, and one of the things I think is important is to get the right number and audit these numbers and make sure you are working with real numbers. You know, over at Justice right now, they are carrying some very large numbers, kind of like the IRS was for years, and we ought to get those down to realistic numbers. Then we ought to have a real collection program to go out and try to collect that.

Again, Jeff has done a lot of work in this area over the years, and I think, Jeff, you would agree that we—

Chairman GLENN. Let me ask you, Jeff.

Mr. STEINHOFF. Yes.

Chairman GLENN. How much of this is dependent on getting their new computer system installed? You know, we have been very critical of the rate at which they have been establishing a system. Every year we have a hearing, and we ask how long is it going to take to get the system in place and working, and every year it is about 6 or 7 years. And the next year we ask how long is it going to take to get it in; well, it is going to be about 6 or 7 years.

How much of it is computer that is still in the future some place? How much of it is just brand new agents that we need to put out there? We have had your estimates in the past and IRS' own estimates that each new agent returns to the Government about 3 to 5 times that agent's keep. Is that a valid figure? Do we need more agents? Do we need that computer system put in more rapidly? What can we do to get some of this money back?

Mr. STEINHOFF. I think one of the important things you have hit right on the head here is the need for good systems that provide you the basic information with which you need to target collections. You need to know early on in the game who owes you money, to get out there right away. The longer you wait, the less chance you have of collection.

I think the fact that not only the IRS but other Federal agencies with very large loan and debt portfolios have not had good systems, good controls, and good numbers, have really hampered their abilities to collect. I do think there is always the combination, though, of having the collectors, the people going out there. But to the extent that they can deploy themselves on those debts that are most collectible the earliest they possibly can in the cycle, you will get much more money in.

Chairman GLENN. Did you see the article on the front page of the New York Times on Monday about the IRS?

Mr. STEINHOFF. Yes.

Mr. BOWSHER. Yes.

Chairman GLENN. The title was "IRS Finds that Fraud Grows as More File by Computer." I think they say more than 25,000 fraudulent electronic returns were detected in the first 10 months of 1993, more than double the number in the corresponding period in 1992 as electronic filing grew last year. This accounts for about 40 percent of all detected frauds. If you have not read that article, we would like a comment on it for the record. But if you have read it, is this something we have to live with? What is the problem here?

Mr. BOWSHER. Why don't I have Gene answer that question, Mr. Chairman.

Chairman GLENN. Fine.

Mr. DODARO. Senator, that definitely is a problem. We have done a study on that issue and provided some testimony before the House Ways and Means Committee last week. In a week or two, we would be happy to provide that testimony to the Committee.

Chairman GLENN. We would like to have that for the record if we could.

Mr. DODARO. We will provide it.¹

Chairman GLENN. Good. Well, can you give us sort of a summary of it? How do we get around this? Is this something we are going to have to live with, more errors as we get into electronic filing and transfers?

Mr. DODARO. I think part of it is having better controls in the system, in the computer systems, to be able to—first of all, having it computerized gives you the ability to detect better. A lot of this was going on even in the filing of paper returns, and now we are being able to notify it a little bit quicker. But part of the problem will be getting the good controls into the systems. Part of the problems there were that they were getting back—a lot of people were setting up as preparers, filing electronically fraudulent returns, and then relocating before the IRS could detect and locate them. So a lot of it the IRS is learning through the prototype, and we have made some suggestions in that testimony which we will provide.

Chairman GLENN. According to the National Performance Review, at the end of 1992, \$241 billion was owed to the Federal Government by former students, businesses, farmers, and even foreign governments. Of that, \$47 billion was delinquent, and a huge \$2.2 billion was owed by convicted criminals in court-ordered fines and restitution. Justice, as I understand it, has started a pilot project, contracting with private counsel to collect small civil debts.

You have been looking at this effort, I believe. Do you think Justice should have more authority to contract out for civil debt collection? And what work have you done on the criminal debt issue? I know Senator Dorgan of this Committee is particularly interested in that. He has been very vocal in this area. What is the status?

Mr. BOWSHER. Well, the status is that that big number, \$2.2 billion, a high percentage of that figure is owed by a few people, maybe as few as 2 dozen, which are like Mr. Keating and some of the big S&L convictions. So I think that is kind of like the IRS number. I think it should be audited and really let's find out how much is really collectible and then let's go after it. And I would give the Justice Department more capability to do that. But I do not think that we should kid ourselves on some of these big numbers until we audit them and make sure we know what is really collectible and what is not collectible.

Chairman GLENN. We have been concerned about contracting out, but is this one area where we should be contracting out more rather than trying to get more FTE's?

Mr. BOWSHER. I think a lot of the debt collection could be contracted out. I think you have to be careful as you do it, but I think that there is no reason why it could not be done.

¹ See page 240.

Chairman GLENN. One provision in this bill would allow agencies to retain 1 percent of the money they collect to be used in further debt collection activities. Is that a good incentive?

Mr. BOWSHER. That might be. That might be one that makes some sense, at least to try. I think if they came to the Congress with some good plans on how they were going to do that, that might be one that the Congress might want to make—

Chairman GLENN. Would that work at IRS?

Mr. DODARO. I think you would have to be careful there. There are some provisions in the Taxpayer Bill of Rights and some other things that prevent tying some collection incentives to the revenue agents' appraisals. So I think they could look at some incentives, Senator, but I think you would have to be very careful as applying it to IRS.

Mr. BOWSHER. You know, one of the problems—and we have reported on this for many years now over at Justice—is they had such weak accounting and control things that a lot of times people would get fined in court, the fine would be put on the books as a receivable, and they would never hear from the Justice Department again. And so a lot of the nonpayment was happening simply because there was no followup.

Chairman GLENN. There needs to be followup.

Mr. BOWSHER. Yes.

Chairman GLENN. Do they have the people to do that? Or if they had some of this funding, could it be used for that?

Mr. BOWSHER. Well, I think that we ought to give them some initiative to try to do something like that. But I think you have got to get the books straightened out so they know what they are going after and what they are doing.

Chairman GLENN. One provision in H.R. 3400 I would like to get your comments on is cutting the Federal workforce significantly over the next several years. We know that 252,000 over 5 years is the target. I know we both support efforts to move to a smaller, more efficient Government, but we are concerned about how to get there.

Can we meet these goals? In your testimony, you said that you believed that the FTE, full-time employee, reduction should be targeted not only by agency, as the administration is apparently doing, but also by subagency and occupation. We are trying to get back to this ratio, but better to the ratio of 1 manager to every 7 employees, or into the business realm of 1 to 12 or 1 to 15 or even 1 to 20 for businesses that have a high labor force, a high number of people.

Can we do this? Comment on that, if you would. The buyout bill is passed, but we do not have it through. We have some arguments between us and the House. Where do you think this goes with the buyout and the workforce reduction? Can we do these things?

Mr. BOWSHER. Well, I do not think you know until you ask each of the departments to come up with a good plan. We have just been through this ourselves, and it has been very successful at GAO. But one of the things we did is we had a good plan, and we have been working on kind of reducing our size there for a couple of years, and we had put in paper performance and merit promotion. So we had a good feeling about our—

Chairman GLENN. Did you have a buyout?

Mr. BOWSHER. Then we went into the buyout program here this last fall, and so it all worked very well. But you have to have good plans. You also have to have a succession plan as to how you are going to bring some people into the leadership roles. If you do not have that, I think then it is a fairly risky venture. But if it is done well, I think it can work out well.

Now, Gene here heads up one of my major divisions, and he and the division heads did just an excellent job with trying to figure out how to do this and how to achieve it. And I think you have to get it down to that level so that you do not all of a sudden have some part of your agency that just does not work anymore.

Chairman GLENN. I know my time is up, but can we accomplish this without the buyout bill going through? Because we will not accomplish the reductions where we want them to occur, in the 13, 14, 15 level, unless we have buyouts. Is that your assessment of it, too?

Mr. BOWSHER. Well, I think the buyout facilitates it, and I think now everybody is expecting the buyout, so I think it would be very hard not to go forward with the buyout. Also, the buyout does generally get your middle management people leaving because they are generally the ones, the senior middle management, that are either eligible for retirement or are eligible for the early-out.

Chairman GLENN. Well, we are in a hassle right now between this Committee and the House on the buyout bill, and I do not know whether we are going to be able to resolve this or not.

Senator Roth has been much involved with it. We have all been involved with it, and that is the reason I was asking, so we know that if that absolutely has to be a part or we are just not going to accomplish our mission. Then that puts a little different light on it.

My time is up. Senator Roth.

Senator ROTH. Thank you, Mr. Chairman. I have an opening statement, which I will not read, but I would ask that it be included in the record.

Chairman GLENN. Without objection, it will be included in the record.

OPENING STATEMENT OF SENATOR ROTH

Senator ROTH. Just let me reiterate once more than I am pleased with the initiative taken by the Vice President and the NPR report. It contains hundreds of recommendations aimed at achieving a Government that works better and costs less. I think that is a noble goal in which we all share an interest.

I do have to say I am somewhat concerned about this whole concept of reinventing Government. There is such a busy platter on the agenda this year that I do worry that reform is going to take a back seat to some of the other critical problems, and yet I feel that nothing is more important than bringing the Federal Government into the 21st century.

I am hopeful that we can get the administration's enthusiastic support and move forward on our bipartisan commission because I think while the steps set forth in NPR are good, they are beginning

steps, first steps. They do not really address some of the more structural problems that I think are of critical importance.

I am not going to talk too much because I sound like Gravel Gertie. You are in luck, Mr. Chairman. But one question on this buyout that is related: A major reason, of course, for proposing the buyout is to avoid the undesirable effects of the reduction in force. So that raises the question: What do we do about this procedure that is apparently irrelevant to the needs of the Government? Wouldn't it seem to suggest that we ought to be moving soon on reforming this whole reduction in force procedure so that it is meaningful and relevant?

I would ask you for your comments.

Mr. BOWSHER. I would like to see some reform in that area. One of the reasons we accepted the buyout proposal at GAO was we did not want to undo the fine recruiting that we have been able to do in the last 10 years, the talent that we have been able to attract, the diversity that we have been able to achieve. So by doing the buyout, we avoided the RIF, we avoided the furloughs, and we were able to on a voluntary basis have about 400 people leave GAO. So for us it worked very well. But as I said earlier, we had a good plan as to how we were going to bring some of the younger people up into leadership positions, and so we went through it in very good shape.

I think the RIF rules of today are such that they are generally very costly and not a very program at all. So I think that should be avoided if at all possible under the current rules. I think if you could have some kind of change in those rules later on, that would be very helpful.

Senator ROTH. I would say apparently it is critically important.

Mr. BOWSHER. Yes.

Senator ROTH. If we cannot use it when we are in need of a reduction in force, there is not much sense in carrying it on. It seems to me it goes to the heart of restructuring.

Mr. BOWSHER. Yes.

Senator ROTH. You recommended a requirement for annual audited government-wide financial reports. What would this kind of report tell us that the individual agency report does not?

Mr. BOWSHER. Well, what it would do is bring together the overall financial picture of the Federal Government. In other words, it would be like the stockholders' report of a big, large, major corporation. In other words, you want to know how is the total entity doing. It is the same as when the Federal Government required the State and local governments to do it. They asked for a combined report of how is the State of California doing, how is the State of Maryland doing, how is the city of Chicago doing. And so I think the average taxpayer and the public would like to know how is the Federal Government doing in total.

I do not think the average citizen can read 23 individual reports, so I think it is important to have one good report that is pulled together and summarized. And as I said earlier in my testimony, people are trying to do it on an ad hoc basis now. Some of the Congressmen are putting some newsletters out that make an attempt at it. The Treasury has a prototype. The OMB people have some sections early in their budget report that they send up at the be-

ginning of the fiscal year. But I think what we need is a good report coming out, with the President issuing it and the Congress, therefore, being able to look at it and review it.

Senator ROTH. Thank you, Mr. Chairman. Thank you, Mr. Bowsher.

PREPARED STATEMENT OF SENATOR ROTH

I welcome this hearing on the Administration's first legislative package to implement recommendations from the National Performance Review. As I have said in the past, I applaud the efforts undertaken in the NPR to reform the way the government is organized and operates. The NPR report, developed under the leadership of the Vice President, contains literally hundreds of recommendations aimed at achieving a government that "works better and costs less." This is a noble goal—one which I know we all share.

Without committing myself to each and every item in it, I will say that the report asks many of the right questions, and offers many thoughtful ideas for reform. I am glad that we now have this opportunity to consider enactment of a broad set of legislative proposals.

I know the Administration views this bill as just the first steps in implementing the NPR report, and that the NPR recommendations are themselves just the first steps toward "reinventing government". As I have also said on past occasions, I think we need a bipartisan commission to develop further, more comprehensive, structural reforms of the government. This would also allow us to put in place a mechanism to move such reform packages directly to the House and Senate floors.

Legislation aimed at doing this was developed by Senator Glenn, Senator Lieberman, and myself. It was reported by this Committee, and is now pending on the Senate calendar. I remain hopeful that the Administration will see the long-term value of this bill, in helping achieve comprehensive reform of the organization and operations of the government.

One thing I hope will be addressed today is the changes made in the House to the original bill sent up by the Administration. Were these improvements, or were they a watering-down of needed reforms? I would also like to know what time frame the Administration has in mind for other NPR legislative packages this year. This is the kind of legislation that is easily held hostage if it is rushed late in a session. I hope we can avoid that by getting these bills into the legislative mill soon.

I look forward to the testimony today on the bill before us, and on these other items I have raised.

Chairman GLENN. Thank you.

On this buyout, are there any incentives that we have in place now that will help agencies get the 13's, 14's, and 15's out without the need for legislation? The reason I ask is that we are at sort of an impasse with the House right now on some of this, and I hope we can work it out. If we cannot, then I am not quite sure where this leaves us.

Are there incentives that will target the people we need to get out?

Mr. BOWSHER. I think if you get the buyout, why, you will get that group of people going out. I really do.

Chairman GLENN. It can be targeted.

Mr. BOWSHER. Now, if you do not get the buyout, if you cannot agree on the buyout, I am not quite sure. I had better go back and meet with some of my people and maybe come up with some thoughts. But offhand, I am not quite sure how you would do it. Do you, Gene?

Mr. DODARO. No.

Chairman GLENN. Well, they are starting to announce RIF's already.

Mr. BOWSHER. Yes.

Chairman GLENN. Jim King over at OPM announced RIF's already starting, and they are going ahead with them. That is going

to have to be the case in other branches also. In a different area, though, in January he held a ceremony at OPM to announce the elimination of about 90 percent of that 10,000-page Federal Personnel Manual. That has been sort of the Bible for many, many years.

What are the implications of that? Can we do away with 90 percent? Obviously that means we have got to have better managers then. If we are not going to have it spelled out for exactly what every manager will do, then you have to have better, more capable managers. Will this work?

Mr. BOWSHER. Well, I think any time you get up to 10,000 pages in a manual, you have too much. So I think it is a good thing to try to get rid of that animal.

But I think you have got to maintain some of the underpinnings of the Federal service, like merit in there and affirmative action. When we got our legislation back in 1980, that was one of the things that the Congress asked GAO to make sure we did, and so we have run our own system now for close to 15 years. But we have always tried to make sure that we are doing it with some of the goals that the Congress wanted achieved. So I think it does; it gets right down, Mr. Chairman, to what you are suggesting, and that is the leadership of the agencies. And then you need some oversight to make sure it's being done. I would not do this without some proper oversight. But I do not think you need a 10,000-page manual.

Chairman GLENN. Back to the buyout, we can get rid of the number of people. That is not the problem. The problem is the distribution of the people; this 1 to 7 ratio of managers to employees, instead of 1 to 12 or 15 like it should be. I do not know whether there are other things besides just the buyout that we should be doing. I am a little bit pessimistic, I guess, that we are going to work this out with the House now, and I am just trying to get a fall-back position. Any thoughts you may have in those areas, either now or after you go back and think about it a little bit, why I would certainly appreciate it, because we still need to target those. The 13 right now can just bump downhill and end up bumping other people.

Mr. BOWSHER. That is right.

Chairman GLENN. We wind up hitting our numbers, but they wind up as GS-2's through 6's or 7's or whatever instead of the 13's, 14's, and 15's.

Mr. BOWSHER. And you get a lot of bitter people, too. In other words, it is hard to manage and lead an organization where a lot of the people in the organization have gone through that kind of a process, and they are down there being bitter and everything like that.

But the advantage of the buyout is that everybody left happy. They left happy. We saved a lot of money for the taxpayer, and we were able to promote some of the younger people into more responsible positions.

Chairman GLENN. We have a turnover in the Federal workforce of, what, about 10, 12 percent a year or something like that, right?

Mr. BOWSHER. Bill Hunt says that in the last year it has fallen down to a little—it would be somewhere between 5 and 6 percent. But I think your figures were historically correct.

Chairman GLENN. Historically it has been about 10, 12 percent.
Mr. BOWSHER. Yes.

Chairman GLENN. But the churning comes in the lower GS ranks, by and large.

Mr. BOWSHER. Yes. If I could give any advice on this early-out, the one thing I would say is that doing it at the beginning of the fiscal year, like we did it, works the best as far as your budget goes because you have to pay the individual a salary for 2 or 3 months, and then you give them the payout, but you can afford that in one fiscal year.

I think one of the dilemmas that the administration has today is that it is so far now into the fiscal year. But I think if some legislation was passed that they could do it at the beginning of 1995 and they were asked to come up with a plan between now and then as to how they are going to do it and everything like that, I think that would be the best way to go myself, Mr. Chairman.

Chairman GLENN. OK. I have no further questions. I appreciate your being here, Mr. Bowsher. You might follow up—

Mr. BOWSHER. Could I add just one last thing, Mr. Chairman?

Chairman GLENN. Sure.

Mr. BOWSHER. This is in the spirit of streamlining Government here. We have had some responsibilities in the Davis-Bacon Act at GAO that we have had for years, and we would like to move that over to the executive branch. And from some informal discussions we have had with the Labor Department, they are willing to take it. And I think this would be some of the streamlining that I think is good to do now during this period of the NPR, things like that.

So we would like to submit that for the record and to your Committee for consideration.

Chairman GLENN. All right. Fine. That will be included as part of our record. I appreciate that. Have you discussed that with OMB?

Mr. BOWSHER. I believe we have, but I will check and make sure we have.

Chairman GLENN. All right.

Thank you very much. I appreciate it.

Mr. BOWSHER. Thank you very much, Mr. Chairman.

Chairman GLENN. Our next witness is Dr. Alice Rivlin, Deputy Director, Office of Management and Budget.

Dr. Rivlin, we welcome you this morning and look forward to your testimony this morning.

Oh, Mr. Bowsher, before you leave, I was just handed this. There is a column in the paper this morning in the Federal Diary section that sort of runs through the buyout thing and where we are right now. You might want to check that. I have not read the whole thing myself. You might want to check it, and we can talk later about it.

Mr. BOWSHER. I will check it out.

Chairman GLENN. Thank you very much.

Chairman GLENN. Dr. Rivlin, go ahead.

TESTIMONY OF ALICE RIVLIN,¹ DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, ACCCOMPANIED BY HAROLD STEINBERG AND THOMAS STACK, OFFICE OF FEDERAL FINANCIAL MANAGEMENT

Ms. RIVLIN. Good morning, Mr. Chairman.

Chairman GLENN. Please identify everybody with you here so we have that for the record.

Ms. RIVLIN. Yes. I have with me Harold Steinberg and Thomas Stack of our Office of Federal Financial Management.

Following the precedent of the Comptroller General, let me read only the highlights of this statement. If you would put it in the record, I would be pleased.

Chairman GLENN. Your entire statement will be included in the record.

Ms. RIVLIN. I am really pleased to be here to testify in support of the portions of the Government Reform and Savings Act of 1993, H.R. 3400, that are of particular interest to this Committee. H.R. 3400 represents legislative proposals needed to implement many of the recommendations of Vice President Gore's National Performance Review and gives us the tools we need to make the Government, as we say more and more frequently, work better and cost less.

As my boss, Leon Panetta, testified recently, our primary management objective is to restore the public's faith in Government by managing the Government more effectively to give citizens and taxpayers more value for the dollar. We appreciate the Committee's leadership in improving Federal Government management. In particular, we appreciate the key role this Committee played in the passage of the Chief Financial Officers Act of 1990. The CFO Act provides the framework for improved financial management for the Federal Government.

The National Performance Review strongly supports intensified efforts to implement the CFO Act and fundamentally reform the way the Federal Government conducts its business. Sound financial management is indispensable to achieving the goal of efficient and effective Government. Numerous improvements have been made following the enactment of the CFO Act; however, much remains to be done.

Our high-risk area exhibit and the attached chart, a copy of which I would like to submit for the record, appeared for the first time in the President's 1995 budget, and it represents a picture of the financial management in the Federal Government. Basically it indicates that we have done a lot, but we have got a lot more to do.²

The high-risk chart and the financial indicators show that there is much left to be done, and H.R. 3400 provides some of the tools that we need to do our jobs better.

First among those, we believe, are promoting electronic Government. We are all aware of the revolution that has made it possible for us to use bank machines 24 hours a day and do a lot of things faster and cheaper. The National Performance Review recommends

¹ The prepared statement of Ms. Rivlin appears on page 236.

² See page 255.

the expanded use of electronic disbursement and collection systems in the Federal Government. This includes direct deposit of payments to recipients with bank accounts and electronic benefits transfer by plastic debit card for those without bank accounts.

We recognize—and you mentioned this earlier in the hearing, Mr. Chairman—that electronic banking presents some security problems in the same way that paper-based collections and disbursements do. They are a new kind of problem, and we are going to have to learn how to deal with them. But it does not solve all the problems instantly.

The National Performance Review recommends the rapid development of a Nationwide system to deliver Government benefits electronically. Current proposals require that all new Federal employees and new Federal retirees receive salary and retirement payments respectively through electronic funds transfer. Now, that is a significant step further, but further steps are needed.

The National Performance Review makes a strong case for EFT as the presumed method for all Federal payments, including current and new Federal employees.

Our effort to develop the electronic benefit transfer Nationwide also responds to an NPR recommendation. The pilot test shows that clients feel more secure with a plastic card. The USDA Inspector General has reported that electronic benefit transfer is preferable to food stamps as a tool to avoid fraud and waste. So we really think it is important to push ahead in this direction.

Then we believe that we need new tools to improve the efficiency of administrative support services. That improvement is needed I think is not at issue and will not surprise this Committee. An example, the 23 largest agencies use over 800 computer systems to support their financial management functions. Many of them are old. They need updating; they need replacements. And there are other kinds of efficiencies that exist in many other administrative services such as records management, property management, mail management.

We are working on all of these things, but we believe that two kinds of funds would help. The term franchising is used to describe a common administrative support service provided competitively on a reimbursable basis to more than one agency. These are different from the existing working capital funds, primarily in that they encourage competition.

Franchise funds, as we are proposing them, are agency enterprises that can provide services on a reimbursable basis to buyers who can also obtain the services from other providers, including private sector providers. They can shop for the best value. And we think that is a very important part of the ability to make progress toward more efficient administrative services.

Innovation funds are a somewhat different kind of thing. The act would authorize the establishment of innovation funds to provide a self-sustaining source of funding for special program-related projects designed to improve productivity, generate cost savings, or provide better services. The agencies would make loans to components wishing to engage in innovative services and projects, and the borrowed funds would be repaid to the innovation fund. An ex-

ample comes out of the electronic benefit transfer where there was a good deal of up-front investment needed to make the thing work.

Another feature of the fund—both funds, actually, as we are proposing it—is that it will provide an incentive to reduce wasteful spending. We are proposing that the seed capital for an agency's innovation fund come from no more than 50 percent of the unobligated balances of the non-S&E funds during the first 3 years. For the franchise funds, we would do the same thing for the unexpended balances of S&E funds. We believe this would provide an incentive, an additional incentive in this tight budget situation, to use funds very carefully in order to generate some working capital for these two purposes.

We also support the provisions of H.R. 3400 for the streamlining of the management reports, and we have taken some steps in this direction already, as you noted earlier.

On increasing accountability to the public, we believe that the organizational discipline that arises as a result of financial statement audits serves to strengthen financial management. A clean audit opinion is an objective assurance to taxpayers that we can accurately account for their dollars. It does not prove that an agency is well managed, but it is a first step.

H.R. 3400 expands the requirement for audited financial statements to all operations and activities in the 23 CFO Act agencies. It would require annual agency-wide audited financial statements beginning in fiscal year 1996. We believe that would be a major step forward toward accounting for what we do to the public.

The act also has several provisions for improving the collection of receivables. At the end of fiscal year 1993, delinquent nontax receivables due the Federal Government totaled \$44 billion, a decrease of \$3 billion since the end of 1992. We are making progress on this, but unfortunately many agencies' resources are too scarce to fund the more intensive collection efforts, and our proposal would authorize appropriations of up to 1 percent of all delinquent debt collections and up to 10 percent of the sustained annual increases in delinquent debt collections, essentially to enhance the agency's ability to collect debt.

Another provision removes the current restriction on some Federal agencies from paying private collection agencies out of the amount recovered.

H.R. 3400 would limit pay raises for Members of Congress, judges, the Vice President, executive schedule employees to no more than the increase for general schedule employees based on the Employment Cost Index. We certainly would not presume to have an opinion about how the Congress should pay itself or the judiciary, but we would have no objection to this section as it relates to executive branch employees.

Let me just say a word about the downsizing effort. The President is committed to a reduction of 252,000 full-time equivalent employment from the 1993 base. That would take us under 2 million for the first time in a long time. The President's budget shows a reduction for fiscal year 1995 of 118,000, which puts us well on the way to meeting the goal in a responsible fashion.

The numbers in H.R. 3400, however, we believe, cut too deeply too quickly. The President's budget FTE numbers put us on a re-

sponsible track toward reaching the objective. We would be happy to work with the Congress to reach a mutually agreeable path, but we think the one in the current bill is too rapid.

Chairman GLENN. You want to stretch it out beyond the 5-year—

Ms. RIVLIN. No. We do not. We just do not want to cut quite so quickly. We want to get to the 252,000 at the end of the 5 years, and we expect to.

Chairman GLENN. Maybe I misunderstood then.

Senator LEVIN. Slow the pace down? Get there at the same time?

Ms. RIVLIN. Change the time path so that you do not do it quite so quickly at the beginning.

Chairman GLENN. Do fewer early and then accelerate.

Ms. RIVLIN. Yes.

Chairman GLENN. Rather than a straight line.

Ms. RIVLIN. Right.

Chairman GLENN. OK.

Ms. RIVLIN. So, in conclusion, we think that the passage of H.R. 3400 will lead to a more efficient Government, to increased use of electronic Government improvements in financial management, increased accountability, streamlined reporting, and collection of more money that is owed to the Government. All of this will benefit the taxpayers, and we would urge, with some minor exceptions, the passage of the bill as quickly as possible.

Thank you very much, Mr. Chairman.

Chairman GLENN. Thank you very much. Let me come back to the innovation and franchise funds. We have talked about those quite a bit. You were in the room and heard the discussion with Mr. Bowsher a little while ago.

The appropriations process gives Congress oversight of agency spending, and the franchise and innovation funds would seem to operate outside that process. How can we ensure oversight and accountability in those funds that will be in sort of a different category?

Ms. RIVLIN. Well, I think you raise a good question, and it is one that is going to come up more and more frequently as we move to a more entrepreneurial Government with more flexibility for managers, more incentives but more flexibility for managers to be efficient.

But I do not think you should really worry that there are not controls on the franchise funds or the innovation funds. The language we are proposing says that the fund, if an agency is going to set up the fund, say a franchise fund, they must prepare a business plan that specifies very clearly what the goals and objectives are, what they are intending to do with this money, what their organizational structure will be, what their training plans are, all sorts of other details. And this fund must be approved by OMB. They must have an advisory board comprised of their customers. There must be a manager.

This should not be a fly-by-night operation, and we want it to be a very businesslike thing.

Chairman GLENN. If I could ask, will their accountability come as the CFO's, then? Their accounts would all be audited and be reported as part of the CFO study?

Ms. RIVLIN. I do not know whether it would be part of the CFO study. Is that right, Hal?

Mr. STEINBERG. Yes, there would be an annual financial audit of the fund, and there would also be performance measures that would be maintained for the fund. Those would be published also.

Ms. RIVLIN. I think that is a very important part of it. We do not want these things if they do not work. We want performance measures, and we want to see what they are. We want you to see what they are.

Chairman GLENN. How do you prevent them from just padding their budgets, though, and putting off legitimate expenses in order to put money into these funds? Is that going to be a problem?

Ms. RIVLIN. Well, I am a little more worried about the other possibility that they do not put much money into the fund because they are under such tight—the budgets are so tight now that there are not going to be very much in the way of unobligated balances. But I do not think the danger of their padding is very great, and if the funds are not producing results, we will know about it and you will know about it.

Chairman GLENN. How much money are we talking about in these unobligated funds? What would 50 percent of the total unobligated balances at the end of fiscal year 1993 be? Do we have any idea how much that would be?

Ms. RIVLIN. I do not think we have an exact number. Do we have a guess, Harold?

Mr. STEINBERG. We can try and pull those numbers together. I think, Senator, that is one of the problems with our financial information systems right now. There are key numbers like that that we do not know, and that is why we are trying to get in better accounting systems.

Chairman GLENN. I think when you get an estimate of that, if you could give that to us that would be helpful. We hear the proposals, but we are not sure how much all these put together could be, whether we are talking billions, hundreds of millions, tens of millions or whatever. It makes a big difference on how we approach it.

Mr. STEINBERG. If I could, I just wanted to address the concern that you had about the building up of balances, the unwarranted building up of balances. As I indicated before, each of these funds would be audited each year. There would be a financial audit report available. In fact, I have an example here of the financial audit report for a fund that was recently established at the Justice Department, and the numbers are there.

The language that we have proposed says that there can be a retention of up to 4 percent of the retained earnings, and the language is "up to" so that if the Appropriations Committee or another committee feels that that amount is too great, then obviously it can be lowered to less than 4 percent.

Chairman GLENN. Mr. Bowsher was rather critical of the operation of the existing revolving funds. How are you fixing those, or how are you approaching this now so that they run on a better basis?

Ms. RIVLIN. Well, he is right that there are plenty of problems in the existing funds, and we are working on them. I think we have

examples like the one that Hal just held up of ones that are working well, and we are trying to work with the agencies to make sure that more of them work well.

The difference, though, that we are proposing here with respect to the franchise funds is that they be competitive, they be offering services that customers can get from other places. And we think that is a significant incentive, and that has not been true of the usual revolving funds. They were monopolies, so to speak. They had captive customers.

Chairman GLENN. The administration has indicated that franchise funds are needed to increase flexibility and competition for administrative services. Couldn't we just make competition a requirement for revolving funds?

Ms. RIVLIN. Well, I think that is a possible way to go. We think there are some other advantages to this new entity, in part the way it is funded. The incentive to be very careful with funds, with S&E money, so that there will be some capital available to put into the fund is a good one.

Chairman GLENN. One of the things we are concerned about and this Committee has followed—in particular, what Senator Pryor has been concerned about—is contracting out. Is this going to lead to more contracting out?

Ms. RIVLIN. It is hard to say. It depends on how the competition works out. It might lead to some more contracting out, but one could also hope that it leads to more efficient Government agencies themselves.

Chairman GLENN. I think you have been following the contracting-out thing over at OMB, too, as closely as we have here.

Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Mr. Chairman.

First, let me commend you on your continuing efforts to reform Government so we can be much more efficient in the way we operate. It is not the most glamorous kind of work that we do, but it is some of the most important work that we do. You have just been a constant leader in that effort. We are all in your debt for doing what you do.

Chairman GLENN. Thank you.

Senator LEVIN. I want to add my voice of welcome to Director Rivlin and her colleagues this morning. I want to ask her about a related subject. It is not the precise subject we are talking about, but it is very much related to efficiency and it is something I have been working on a long time with Senator Cohen, and I would like to just ask her a question about it. That is the effort to eliminate a whole bunch of reports that we require of agencies by law, and for various reasons, these requirements get added to law, sometimes as alternatives to other amendments but, nonetheless, over the years we have added hundreds and hundreds and hundreds of annual reporting requirements on the agencies.

Back in 1985, Senator Cohen and I authored a reports elimination bill which was introduced and was passed in the Senate, but it was not passed in the House or it was so watered down by the time it passed that we did not get to a whole lot of reports. The

savings here are in the tens of millions of dollars, which maybe does not strike people as much as billions—which it is not, but is nonetheless a substantial amount of money.

We are in the process, Senator Cohen and I, of putting together another reports elimination bill. What we have done is written all the executive and independent agencies, about 90 of them, and asked them to identify reports that the laws require them to file each year but which are no longer necessary or useful in their judgment. And we have heard now from about, oh, 70 percent of them or so, those agencies. We put together a master list of about 400 recommendations of annual reports to be eliminated, at least by their suggestions.

We have also sought the input of relevant congressional committees relative to those recommendations which the agencies have made so that we can avoid putting into our bill any recommendations for elimination of reports which are truly useful, which committees feel are, indeed, useful to their work. And after taking all of that into consideration, we have this list of about 400 recommendations to eliminate or modify these annual reports. We have sent that to the Senate Legislative Council, and they are now working on a bill which we hope to introduce in a few weeks.

Some of these recommendations concern fairly far-reaching government-wide reporting requirements, including those under the various financial management statutes that the Chairman has taken a lead on revising. But basically these reports are less government-wide than that, and I would like to first ask you whether or not you will and can be supportive of our effort in this area.

Ms. RIVLIN. We would very much like to be supportive of your effort. H.R. 3400 moves in the same general direction in consolidating, giving OMB the authority to consolidate some of the financial management reports, and we have taken the first step on that already.

There are, as you point out, hundreds, thousands—I do not know how many—of these other reports, and many of them are required by Congress, so that your taking the lead on this is extremely important. But we would like to be supportive.

Senator LEVIN. There have also been some recommendations which we have received from the agencies relative to IG reports. One of the things that the agencies are interested in doing is having IG reports required annually rather than semiannually. Do you have an opinion on that issue?

Ms. RIVLIN. Not offhand. It sounds like a good idea. Do we, Hal?

Mr. STEINBERG. No.

Senator LEVIN. That is not something that you have looked into?

Ms. RIVLIN. No.

Senator LEVIN. OK. I also will have a question for the record for you relative to your testimony about collecting more money that is owed to the Federal Government through delinquency, nontax receivables, for instance, through fines and civil monetary penalties which have not been collected. There is a whole lot of delinquent debt out there that the Government is owed.

If we were able to collect those delinquent receivables—and I think that they are literally in the tens of billions of dollars—would

that increase the revenues to the Government within the meaning of that word?

Ms. RIVLIN. Well, in simplistic terms, it is money coming in.

Senator LEVIN. Would you consider that to be an increase in the revenues coming in, in the general, commonsense understanding of the word?

Ms. RIVLIN. Considering it a Government receipt in ordinary terms, yes.

Senator LEVIN. Thank you. I will flesh that out more for the record for you. Thanks so much.

Senator LEVIN. Thank you, Mr. Chairman.

Chairman GLENN. Senator McCain.

Senator MCCAIN. Thank you, Mr. Chairman.

Welcome, Dr. Rivlin. I am sure you have been asked this before many times, but I think it is worth going over again, and that was the media coverage about the difference of opinion between the administration and the Congressional Budget Office over the savings that would be realized as a result of the Vice President's "reinventing Government" proposal.

As you know, the Congressional Budget Office said that for the next 5 years the savings would be \$305 million, and the White House said the proposals would save \$9.1 billion over 6 years and \$5.9 billion over 5 years.

Now, that is a dramatic difference of opinion, a multibillion-dollar difference of opinion. I would ask that maybe you respond about the differences between your view and that of the Congressional Budget Office. Others, I might add, like the Committee for a Responsible Budget and several other organizations, have also questioned the assumptions of how much savings would be realized.

Ms. RIVLIN. I would rather respond for the record, Senator, on that one, simply because it is fairly complicated. As with all scoring differences, there are lots of different reasons for coming out. Some of them are scoring convention differences; some of them are estimating assumption differences; and some of them are just what is already counted in the budget or a view about what is already counted in the budget. And I would like to go back to look at that difference, which I have not, in fact, looked at recently, and give you a more detailed answer.

Senator MCCAIN. Well, thank you. Let me just ask one specific because it is a significant amount of money. The report said that speeding review of Social Security disability payment beneficiaries who may no longer be disabled would produce \$4 billion in savings. While savings are plausible, the analysis noted that it would cost \$2 billion for additional personnel and other costs to accomplish the speedup, with \$2 billion which is not subtracted from the projected savings to obtain a net savings.

Ms. RIVLIN. I do not know the specifics on that.

Senator MCCAIN. OK. Well, let me then talk in broader terms with you. I strongly support—I think most Americans do, and I think they should—the National Performance Review of the Vice President, portions of which, I am afraid, will not become part of the Senate version of H.R. 3400. For example, the enhanced rescission authority for the President as it regards wasteful spending, do you support that?

Ms. RIVLIN. Absolutely.

Senator MCCAIN. How about reduction in appropriation earmarks that mandate the spending on unnecessary projects?

Ms. RIVLIN. You cannot be against that.

Senator MCCAIN. But you know that the practice not only goes on, but it is on the increase.

Ms. RIVLIN. I know.

Senator MCCAIN. So you would support that.

What about eliminating floors on the number of employees that Federal agencies must maintain, as stipulated many times in appropriations bills?

Ms. RIVLIN. We think it is very important to eliminate the floors because we have got to downsize the Government all across the Government. And if there are to be barriers built in, it will be a great impediment.

Senator MCCAIN. I do not expect you to be aware—in fact, I was not until after the bill was passed, about the “floors” in the latest disaster relief bill passed for California. It contained a floor of 500 employees to be maintained at a fingerprint identification facility and a specific earmark of \$20 million. Do you think that is the way we ought to be doing business, Dr. Rivlin?

Ms. RIVLIN. In general, I do not think floors are a good idea.

Senator MCCAIN. How about waiving the Davis-Bacon Act regulations on Federal contracts? That is part of the National Performance Review recommendations. Do you think we should do that?

Ms. RIVLIN. This is a big discussion about at what point they should—I mean the size of the project which should be subject, but in general, we think that dollar amount should be higher.

Senator MCCAIN. Do you have a view yourself as to what that dollar number should be?

Ms. RIVLIN. Not a personal view, no.

Senator MCCAIN. Do you have a recommendation for the Congress as to what that number should be?

Ms. RIVLIN. We had a recommendation. I do not at the moment remember exactly what it was.

Senator MCCAIN. I think that the National Performance Review recommendation was \$100,000.

Ms. RIVLIN. Yes, I think that is right.

Senator MCCAIN. Is that your recommendation as well?

Ms. RIVLIN. Yes.

Senator MCCAIN. I know that this Committee does not have jurisdiction over many of those issues that I have talked to you about, but there are many Americans who feel that if we do not enact those changes, then there will not be significant changes, and I happen to be one of those. So I hope that you will strongly support the Vice President's recommendations, things like on page 20 of the National Performance Review: Congress should also minimize the restrictions and earmarks it imposes on agencies. Virtually all Federal spending under scrutiny for future cuts, Congress is increasingly applying earmarks to funding those favored programs and hometown projects. Imagine the surprise of Interior Secretary Bruce Babbitt who, a few months after taking office, discovered that he was under orders from Congress to maintain 23 positions in the Wilkes-Barre, Pennsylvania, field office and that his

Department was required to spend \$100,000 to train beagles in Hawaii to sniff out brown tree snakes.

I would hope that we would understand, Dr. Rivlin, that it is not the individual projects or pork that is so egregious; it is the system that allows this sinful behavior to grow and grow, as all sin does if left unchecked. And so there must be institutional changes, not just attacking specific projects or programs. And I do not believe that can happen unless we have the strong support of the administration.

These types of "reinventing Government" recommendations were made by previous administrations, Republican administrations. They were attempted to be passed on the floor of the Senate and the floor of the House by me and other like-minded individuals. We have had a singular lack of success.

I have been around here long enough, Dr. Rivlin, as have you, to know that unless we get the support from the administration that is necessary—for example, for the line-item veto which President Clinton campaigned on, and give only lukewarm, at best, support for—we are not going to bring about real change. Things are going to continue the way they are. Our credibility with the American people will suffer. Correctly, they are unconvinced that we are doing anything serious to reduce the \$4.5 trillion debt that we have laid on them and future generations of Americans.

Thank you, Dr. Rivlin. Thank you, Mr. Chairman.

Chairman GLENN. Thank you, Senator McCain.

Senator Dorgan.

Senator DORGAN. Mr. Chairman, thank you very much. I have been at a couple of other hearings and have been necessarily delayed. It is nice to be here.

I would like to ask just briefly about the recommendations in the National Performance Review on how agencies can better collect money that is owed to them. It ranges from the report recently about the Farmers Home Administration that was on the front page of the Washington Post, where a number of people from the late 1970's owed millions of dollars in emergency loans and had millions of dollars in assets but were paying nothing to the Federal Government. It ranges from that to the collection of criminal fines. My understanding is that the amount of criminal fines and restitutions current in arrears is just over \$3 billion, I believe. I have a list here that I just received today, as a matter of fact, from the Justice Department, which is a lengthy list of restitutions and fines owed. You might be interested that on RTC restitution orders, just a hair over 1 percent have been paid; FDIC restitutions orders, 5.9 percent. In other words, nearly 95 percent have not yet been paid. The statistics with respect to fines are similar.

How do you see the National Performance Review improving and enhancing the agencies' ability to collect what is owed the Federal Government, especially fines and restitution orders?

Ms. RIVLIN. Well, I think there are two basic tracks that we are on. One is getting more knowledge about what is really owed to the Federal Government. Some of the numbers that have been bandied about in the past have been, when audited scrupulously, found to be quite erroneous. So we really need to have a fully audited set

of books that we know exactly what is owed. But that is just the beginning.

The next step, I think, is providing incentives to the agencies and tools to get out there and collect it. And H.R. 3400 takes some steps in that direction, in the incentive direction, in earmarking a percentage of the amounts owed and the amounts actually collected to improve collection and in several other ways.

But I think this is something that has to be worked on, is being worked on very hard now in all of the agencies. But we think we need some more tools to do it.

Senator DORGAN. Well, I am hoping that we will have a hearing of some type on this subject. I have made a request to the Chairman.

It is interesting. I began looking at the issue of the Federal Government's collection of fines and restitutions because of the victims' rights funds that are funded by these fines. And as I started looking at them and began to collect information and request information, I was horrified to discover that the Justice Department really kind of uses the quill pen method of dealing with this. You ask what fines are owed and unpaid, and they do not know. Do you have an aging of these accounts? They do not know.

Ms. RIVLIN. Yes, that is the first point.

Senator DORGAN. Do you have a central repository or a listing? They do not know.

Well, if you want to find the fines in your district, then you have got to go to your U.S. attorney in your district, and they have a system for collecting them. And it is the most preposterous thing I have ever seen. This was really a frightful thing to see, and it is several billions of dollars. I will not focus on it here, but I am hoping we might provide some focus to this issue because there is no reason for the Federal Government to do this. If somebody is ordered to make restitution or someone is ordered to pay a Federal fine, then we ought to see to it that all efforts are made to have that person comply. And that is just not the case.

Ms. RIVLIN. I agree, and we would certainly want to cooperate in any such hearing.

Senator DORGAN. Let me ask about bumping rules. In previous hearings, we had talked a little about bumping rules, changing the bumping rules in order to avoid buyouts. If we change the bumping rules, we presumably could accomplish some of the same things with RIF's that you might accomplish with buyouts.

With what priority does the administration view that discussion?

Ms. RIVLIN. We are giving very high priority to the buyout because we think that is a tool which, if we had it right away, would allow us to be much more selective on who left the Government as a result of downsizing. Now, that is partly because the RIF rules are the way they are and make it so expensive to reduce the size of the force and prevent you from eliminating the people that ought to go.

So we certainly are in favor of reforming the RIF rules as well, but I think that is a longer conversation, and we need the buyouts right now.

Senator DORGAN. Well, we are reducing Government employment by 100,000 employees over 2 years. We are going to reduce it by 252,000 in 5 years, I believe.

Ms. RIVLIN. Right.

Senator DORGAN. If we proceed to do that, will we have some guarantees that it is not just the chiefs essentially weeding out all the folks below them? I don't want to end up with a Federal employment structure that is weighted too heavily on top. What kinds of work is OMB going to do to make sure that we are not seeing examples that I have seen in some other parts of the Government where management calls out front-line workers?

Ms. RIVLIN. No. Exactly the opposite is our intention, and we are working very closely with the agencies. I am now chairing the President's Management Council, which is the chief operating officers of each of the agencies, and that is a group very dedicated—many of them come out of the private sector—very dedicated to making sure that we eliminate people at the management and middle management level. Because one of the emphases of the NPR—and I think it is just common observation—is the Government is top heavy. It is not the people who are actually serving the public that we want to eliminate. Often we do not have enough of them. It is the layers of management.

It is for that reason that we have focused on the buyout because that is a tool that helps get rid of the upper echelon people.

Senator DORGAN. But have you identified by position or by layers in various agencies what it is you are trying to do?

Ms. RIVLIN. The agencies have, yes. They are well on the way to streamlining plans that do exactly that.

Senator DORGAN. Are those plans available to us?

Ms. RIVLIN. Not yet. We are still working over them.

Senator DORGAN. When the Department of Labor or USDA develops its plans and tells us how many people and at what grade they are going to be attempting to eliminate through various means, we will be given those plans; is that right? When are those plans available to you?

Ms. RIVLIN. We are working over them now, and I do not have an exact timetable. But it will not be terribly long before we have a full plan for the whole 5-year period.

Senator DORGAN. And that plan would presumably be available to us, if we wanted to look at it, so that we could get some notion of whether it will affect the numbers of people in the locations that you are talking about?

Ms. RIVLIN. In Government, as in the private sector, publishing a plan that says who you are going to eliminate is a guarantee of enormous political opposition to actually doing it. So getting this out front would not seem to be an effective way to get it accomplished.

Senator DORGAN. Well, I am not suggesting you would publish a list of names that you would really like to see retire quickly. But let's take the U.S. Department of Agriculture as an example. Secretary Espy says that he is going to substantially eliminate some management and dead wood and debris, I suppose, that has collected since Abraham Lincoln started that agency. He is going to

decide that we have got so many at certain grade levels that we would like to move out of here.

Ms. RIVLIN. That is right.

Senator DORGAN. Is that going to be a secret?

Ms. RIVLIN. No, it is not going to be a secret.

Senator DORGAN. Will the administration share that with us?

Ms. RIVLIN. It is not going to be a secret at the moment that the decision is made that that is what we actually want to do.

Senator DORGAN. So that will be shared with us so that we can know what it looks like?

Ms. RIVLIN. We are not going to do it in the dark, no.

Senator DORGAN. OK. But our desire is really to get rid of some middle management layers that are no longer needed. I want to be sure that when these plans are developed, presumably by folks who are in management positions, that they have not successfully protected themselves. I don't want to see agencies laying off a bunch of people, some of whom we need, and keeping people, some of whom we do not need.

Ms. RIVLIN. We and they, the agencies, I think would be very happy to share with you as that gets to the appropriate moment.

Senator DORGAN. All right. Mr. Chairman, thank you.

Chairman GLENN. Just to continue that, though, all these plans were supposed to be in at the end of the year. As I understand it, only four agencies had them in at that time. How many do you have in now?

Ms. RIVLIN. We have a lot of draft plans, and we are sending them back to the drawing board because, in fact, the end of the year turned out not to be a very good time to get it in and have it consistent with their—well, they are no longer consistent, some of the plans, some of the draft plans, with decisions that were actually made in the 1995 budget. So we are working with the agencies to get more complete information.

Chairman GLENN. What is the timetable on that? Do you have a time that you want all agencies to have plans in by so we can move on with this? Because even if we gave you buyout legislation today, you would not be prepared to execute it until you get the agency plans, right?

Ms. RIVLIN. We are not doing the executing, actually, of specific buyouts, specific people. The agencies will have the power to do that.

Chairman GLENN. Yes, I understand that. But you have to approve their plans of how they are going to execute it, right?

Ms. RIVLIN. We have to approve the streamlining plans. Well, we want to work—you know, we are working now in a more decentralized mode and a more collegial mode. We are working with the agencies on their streamlining plans.

Chairman GLENN. I know, but you have to approve them, as I understood it. Correct me if I am wrong. I understood they were to submit their plans; you would look through them and say, OK, it looks good. Some agencies may need increases in certain areas.

Ms. RIVLIN. Right.

Chairman GLENN. Some may need to go where they are now. Some can have double the average of the rest of Government on decreases because they may have a manager for every employee. And

so you would have to approve their plan, and then they would be authorized to execute the plan if we gave them buyout authority. Isn't that the way it was supposed to work?

Ms. RIVLIN. I am only resisting the word "approval" because in the spirit of the NPR, we are working this out together. We are trying not to have the OMB be in its traditional position of we make the decisions and they carry them out.

Chairman GLENN. I am getting a little leery here. I have been all for this process up to now. [Laughter.]

Chairman GLENN. But I am not sure here. It seems to me that you cannot just say, we are decentralizing so we will sort of let you folks do what you want.

Ms. RIVLIN. No, we are not saying that.

Chairman GLENN. Because we are not specifying the numbers. What we are trying to do across Government is get a ratio back of about 1 to 12, 1 to 15 for managers to employees where it is about 1 to 7 across Government now. Now, we do that by a lot of little incremental steps in a lot of departments here. Some can do it. Some are already at that level. Some are twice as bad as others. And somebody has to say, OK, here is your plan and it is good.

Ms. RIVLIN. Right. We are specifying a bottom-line number for the Government as a whole. We have a bottom-line number in the fiscal year 1995 budget and a way of getting there. We are talking about now beyond 1995, and the problem is exactly the one you say, that some agencies should come down more than the 12 percent that it would take the whole Government to get to the 252 in 5 years. Some should come out less; a few may even have to grow. And working out exactly how that is adjudicated, as it were, is as difficult a problem as dividing up a budget and related to it.

Chairman GLENN. Well, I understand that, but I am still a little vague here now as to exactly how you are going to do this, because this comes back to what we discussed in the past, as recently as yesterday afternoon, about the M in OMB; the management. Somebody should be managing to tell these people, yes, you look like you have a good plan, when you get the buyout you are clear to go, move on it and do it. And if not, if somebody comes in with a plan trying to protect their own turf, but it is a lousy plan, then you should call them up short on that and say, no, you have got to do better than that.

Ms. RIVLIN. The FTE numbers for fiscal year 1994 and 1995 are already set and are already in the budget. We do not need to sign off on anything more to give them the buyout authority for the near term, and the near term is what we are talking about when we talk about buyouts.

The question I thought you were raising is beyond 1995—1996, 1997, 1998—how do we get a 5-year plan for exactly how we reduce the FTE's. And what I am saying there is that we are working together with the agencies to get mutually accepted plans there.

The old model would have been exactly as you describe it. They say can we do this, and we say yes or no. And we are trying to work jointly with the President's Management Council to work this out together. It is a harder model.

Chairman GLENN. After you work together and after you work with them on this, then are they clear to go ahead and execute it?

Ms. RIVLIN. Somebody will sign off in the end, right, like the President.

Chairman GLENN. OK. Then that is their authority to go ahead, I presume.

Ms. RIVLIN. Yes.

Senator DORGAN. Mr. Chairman, may I ask a followup question on that?

Chairman GLENN. Sure.

Senator DORGAN. You indicated that the plan already exists for fiscal year 1995.

Ms. RIVLIN. Yes. The FTE numbers for fiscal year 1995 are in the budget.

Senator DORGAN. Right. And news accounts that I read indicate that the administration and others are concerned that we are not moving fast enough on the buyout provisions and that opportunities will be lost.

Ms. RIVLIN. That is right.

Senator DORGAN. It goes back to the question I tried to ask before, and I guess I have not asked it well enough. If you already know FTE's for fiscal year 1994 and 1995 and a buyout accomplishes the goals with respect to, say, fiscal year 1995, can you give us a notion of what those goals are with respect to the reduction of management level people in the USDA, for example?

Ms. RIVLIN. Yes, we can assemble those plans for you.

Senator DORGAN. So we would know what kind of FTE reductions are going to occur in an agency such as USDA by position, not necessarily by person but by position. They are going to eliminate this number of positions in the management structure versus these number of people out in the field?

I continue to ask the question because I just do not want to be in a situation where we are, first of all, accomplishing a reduction with workers, essentially, and leaving the management. I am not implying they do not work, but management must take some hits too. And, second, we do not want to see buyouts where we buy out employment and then in very short order hire them back with some other refined job title and we still have the same workforce.

Ms. RIVLIN. No, I think we are definitely protected against doing that in the way we have worded the legislation. But there is no question that to accomplish the goals for fiscal year 1995 we are going to have to do some RIF's. The question is how many RIF's. We will do fewer RIF's if we have the buyout.

Senator DORGAN. Can you tell me one other thing? And, Mr. Chairman, I appreciate your indulgence.

Chairman GLENN. Go ahead.

Senator DORGAN. Why is a RIF inherently more expensive than a buyout?

Ms. RIVLIN. It is not always more expensive. It depends on the level of person that is leaving the Government. But it also requires that you retain the person that you might want to buy out. That person does not leave the Government. That person goes under the RIF rules into a lower level position. You have to continue paying them at their higher salary for a couple of years. So it is expensive, and you have not accomplished what you wanted to do.

Senator DORGAN. Unless you change the bumping rules.

Ms. RIVLIN. Unless you change the bumping rules, as you pointed out.

Senator DORGAN. Thank you.

Chairman GLENN. Thank you.

Back to the CFO Act and agency-wide financial statements, audited financial statements; the target date for these for all agencies is March 1, 1997. It is a good goal. Can we make that? Based on the results of audits performed to date and the number of waivers, can the agencies really do it?

Ms. RIVLIN. We think it will be a stretch, but they can with sufficient encouragement. My colleagues may want to comment on this.

Mr. STEINBERG. I would agree fully. It will be a stretch. We will have to push hard. Actually, in some instances, there are some funding limitations on IG's being able to do the audits. We may have to address trying to get rid of those. But if we work hard and keep the pressure on—and that is the key thing, to keep the pressure on—I think we can get there.

Chairman GLENN. The Comptroller has also indicated his support for a government-wide audited financial statement; in other words, put all these things together, just as GM would—they would take the Pontiac, the Buick, the Cadillac, the Chevy accounts, and put them together in one statement for GM. I guess that would be the analogy.

Do you favor that? And what are the benefits of it?

Ms. RIVLIN. Oh, we think that is a good idea. We do not think we are quite ready to do it yet. The first step is to get the department-wide ones, and once you have those, it is not a huge step to do the government-wide. It does not give you a lot more information, but as the Comptroller General said earlier, you cannot expect people to read 23 reports. If we could put it all together in one, it would be a good idea. But we cannot do it right now.

Chairman GLENN. This gives everybody a better idea, too, once it is established and working, as to what kind of progress we are making in really controlling Federal expenditures and debt and so on. I presume that we are going to be able to start doing that March 1, 1997.

NPR recommends streamlining financial management reporting. What is the best way to do that?

Ms. RIVLIN. Well, we are starting with looking at the reports which go from OMB to this Committee, really, and we have communicated with you about consolidating those reports, and then we want to move on to the reports—to the wider range of report.

Hal, do you have a comment?

Mr. STEINBERG. That is right. We laid it out in the letter that was sent from the Director to you and to the Chairman of the House Government Operations Committee. We hope that we can get approval to follow the path that was laid out in that letter.

Chairman GLENN. OK. Civil debt has already been discussed a little bit. Some agencies are currently allowed to use some of the money they collect to pay for further debt collection efforts. As I understand it, some agencies have that authority now. H.R. 3400 would expand that authority to additional agencies.

First, how has it worked so far? And then in what agencies has it been tried?

Mr. STACK. The agency where right now there can be a retainment of collections for administrative purposes is the Veterans Administration. We have seen real success there. Also, as you know, private collection agencies are using the private sector with success. We have collected over half a billion dollars over the last 5 years because agencies were able to refer that debt to private collection agencies and they were able to pay the private collection agency out of proceeds. The agencies we have here, with few exceptions, the debt collection amendments of 1982, are basically Customs and Social Security, for those individuals who are off the rolls.

Chairman GLENN. When you contract out for debt collection like that, do we do that on a contract basis or do we do it on a contingency fee like the lawyers do?

Mr. STACK. Basically it is a contingency fee, but there are several placements. Typically we will take a debt, and it will go to a contract that the General Services Administration manages. We have about 20 private collection agencies who have basically a task order relationship with the Federal Government, so that when a debt is referred, for the first referral typically the collection rate would be about 20 percent of proceeds; then it would go to a second referral and 30 percent, probably because it is more difficult the second time. Then it usually comes back to the agency. It is oftentimes resolved then. If not resolved, it needs to be written off.

Chairman GLENN. These are comparable, then, to lawyers' contingency fees in court, I guess, right?

Mr. STACK. I think they are, yes.

Chairman GLENN. I would think with all the volume that we have for them to work on, we could probably get a reduced rate on some of these things so there is not quite so much going off to the collection agency or collecting entity.

Mr. STACK. We always want to get the best rate, and through the GSA contract, we have a very broad advertisement and a very large competition. And through the competitive process, we think we are getting good rates, but we are always working to get better rates.

Chairman GLENN. Would you propose that this be expanded to all levels of Government, to any agency to whom accounts are due?

Mr. STACK. Yes, we think there is value in using private collection agencies. Right now the agencies that do not have the authority to do that are Farmers Home, agencies of the Treasury Department, and some segments of Social Security.

Chairman GLENN. How about IRS? They tell us that while they are owed some \$112 or \$115 billion, they say \$18.7 billion is actually collectible. That \$18.7 billion is sitting here waiting to be collected. Now, we either need more agents or we need to farm it out to some of the collection agencies or something. These are not bankrupt corporations or bankrupt individuals. We should be collecting this money. How do we do that?

Mr. STACK. The experience we have looked at at the State level, particularly in States like Michigan, Maryland, Ohio, is that private collection agencies do have a role and can play a role in that arena, that they are able to make calls to individuals, counsel the individuals, the protections of the individual can be developed, so

that basically what we are going after are individuals who have not responded to written notice, and a telephone call to counsel the individual has been shown to be very helpful. In Michigan, for example, we see about a 40 percent conversion rate on late payments there.

What they are usually working is the smaller amounts, and that is up to \$25,000.

Chairman GLENN. I should have looked at the budget before the hearing this morning. Did we expand IRS' personnel to do this? The old rule of thumb we have had in this Committee, anyway, in working with IRS is that you get a return of about 3 to 5 times that person's keep. If that is still there, what did we do in the budget this year? Did we expand IRS' capability or not?

Ms. RIVLIN. We did to some extent. Not as much as they would have liked.

Mr. STACK. There was a revenue initiative. We have had revenue initiatives in the past with the IRS. The difficulty sometimes is with the differences in what we request and what the IRS receives. We see sometimes that debt collection is not as high a priority, and those funds sometimes go for other purposes.

Chairman GLENN. Can't you control that?

Mr. STACK. Yes. There is within the—well, the agency has to make decisions on how to allocate the final appropriation. We monitor it, but in terms of controlling it, OMB does not control that amount.

Chairman GLENN. Well, I have a little history on that with this Committee; let me go back. This is 7 or 8 years ago now. We were going through the same thing. IRS wanted more people so they could go out and collect on these debts. I personally worked on this, talked to other members of the Committee. We got it through on the floor for 1,100 positions, and it was specifically to go get some of these bad debts. This is a long time ago. And I expected there to be an increase in what they were collecting over there.

The following year after this, when they were in for their annual hearing here, we went into this, and it turned out they had used 400 of these positions for administrative functions within IRS. They had not even put them out collecting, which is what we wanted them to do.

I was pretty unhappy with them at that time. Now, that has been a long time ago. We have a new Commissioner and so on, and I think she is very dedicated to this and wants to do a good job. But if you are sending them more money to do debt collection and they are using it for other things, somebody ought to get hauled up pretty fast on that one.

Here we are back to the M in OMB again. Are we going to manage these things? How do we do it?

Mr. STACK. The private collection agency, for example, by being able to pay out of proceeds, or also in this bill, H.R. 3400, allowing the IRS to retain some segment or some portion of the repayments we think will be a real incentive for the IRS and other agencies to put more resources on debt collection. We have had difficulties where resources that we thought would be used in the past for debt collection have not gone to debt collection but have gone to other priorities. And NPR speaks to that I think fairly loudly.

Chairman GLENN. Well, I do not know how high uphill they have to go to make sure that the money that you get for them and the money that we appropriate for a specific purpose gets spent to do exactly what we expect and what you expect and everybody expects. And if they are not doing it that way, it seems to me you would have a little discussion with them about that. If that does not work, you start it uphill.

Ms. RIVLIN. We are having discussions with them, and as you say, Mr. Chairman, there is a new Commissioner very dedicated to improving things. So I think there is hope for the future.

Chairman GLENN. Well, there is, but I am a little bit concerned that you apparently do not feel you have control over this when you send money and provide a budget, and you are not quite sure how the money is getting spent. You are the people who are supposed to make sure how the money is being spent. Right?

Ms. RIVLIN. Yes, although we are not in full control of everything. And I am not as familiar with the history on this as Tom is.

Mr. STACK. The history on this is that we basically agreed that the revenue initiative from the debt collection point of view provided by the Congress several years ago, we would have liked—we pushed very hard and had many discussions with the IRS to do just that. The difficulty, they said, was the increased requirements, salary requirements, higher grade, and overtime requirements because of the filing season. They said they made a tradeoff between should people have their taxes processed, should they answer the phone on a timely basis rather than doing debt collection. They thought it was much more important to have a good tax season, which is a tradeoff, than doing the debt collection.

Chairman GLENN. Yes, I do not quarrel with that, but that shows poor budgeting going in, then, because they know when the peaks are and so on. That is just poor budgeting going in, then, and not providing for those things and setting up an orderly process to do it, it seems to me.

Anyway, the reason I keep pushing this on IRS is because there is \$18.7 billion out there waiting to be collected, and that is more than most agencies have sitting out there waiting to be collected. Anyway, let me get on with some other things here.

I guess I am not off IRS yet, either. Can the IRS use private collection agencies now?

Mr. STACK. Right now they have—we have looked at that, and through their contract authority, we believe that they have enough authority to do some work with the private collection agencies, yes. But they do not have at the current time the ability to pay for that private collection agency out of proceeds.

Chairman GLENN. Should we be providing more authority in this bill for IRS to use outside collection agencies to help them out?

Ms. RIVLIN. Well, as Tom said, we think they have that authority, that we do not need further legislation for the authority.

Chairman GLENN. All right. How much authority is in law now to enable you to administratively authorize enhancing their ability to collect these debts in all agencies or departments of Government? Are you limited in the authority that you have at OMB to

authorize them to do these things, and do we need more legislation across the board in this area, more than what NPR would provide?

Ms. RIVLIN. Well, what NPR would provide is a first step. I think we have not thought beyond that. We would be happy to give that some thought and work with your staff on that.

Chairman GLENN. OK, because where we have people just sort of ignoring the Government becoming more or less scofflaws, they do not set a very good example for others that may be thinking of doing the same thing when we do not go after the ones that owe us money right now. And if you need additional legislation, let us know. I would be glad to do whatever is required to toughen that up or give you more authority in that area in addition to what NPR does here, what H.R. 3400 does.

We have talked about the Federal workforce reduction at considerable length this morning here. I am not sure where we go if we are not able to work this out with the House. I do not want to be overly pessimistic, but just as the writeup in the paper this morning indicates, we have a real problem here. Some of the things that are put on the bill to try and pay for the crime bill and other measures and the 26 percent that goes back into the retirement fund are all things that the House is balking at, and I am not sure we can work this out.

What options do you have other than just a straight RIF? Is there any intermediate step here if we do not get a buyout bill passed?

Ms. RIVLIN. Well, if you are reducing the force, I mean, the RIF is sort of by definition the way you do it unless you have incentives to get people to leave voluntarily. So I think that is where we are. If we do not get the buyout legislation, we will have RIF's. We will have some RIF's anyway, but we will have more without the buyout.

Chairman GLENN. Is there any plan to try and change the RIF rules as one way around this so we could target people directly? That would be a major change in civil service if we tried that.

Ms. RIVLIN. It would, and there are discussions going on, and we do hope to have legislation reforming the whole civil service situation, but not very quickly.

Chairman GLENN. Yes, well, that is a bigger project, though.

Ms. RIVLIN. It is a very big project, yes.

Chairman GLENN. Is Mr. King the one that is working on that out of OPM?

Ms. RIVLIN. He has the lead on that, but it will obviously involve OMB and the President's Management Council. All the agencies will have to work on this because it is a hard problem.

Chairman GLENN. Mr. King also took the lead in eliminating about 90 percent of the Federal Personnel Manual. Is that going to work?

Ms. RIVLIN. Yes, I think so. It was sort of a dramatic gesture, and you cannot do without any kind of a manual. But to throw it out and start over is, I think, was a needed thing to do.

Chairman GLENN. When it has gotten up to 10,000 pages, I do not necessarily disagree with you.

Ms. RIVLIN. Yes.

Chairman GLENN. I think that is probably a good idea. Say we came down to far less or very few guidelines, then we need good people in those spots, and that is a problem, too. In other words, the premium becomes the quality of people you put in there to manage if you are not going to have very strict directions on how they are supposed to manage.

Ms. RIVLIN. Oh, that is absolutely right, and it is the basic point, really. Unless we have very good management, changing the rules is not going to help.

Chairman GLENN. Just one other area here. On February 10th, the President issued Executive Order 12838 to cut the number of Federal advisory committees by one-third. I do not know how he arrived at exactly one-third. I know not long after I came on this Committee many, many years ago, I took the initiative at that time in looking into the some 1,400 or 1,500 different committees, councils, and all these different groups. We eliminated about 400, I think, at that time by going through them, and it built up again over the years. These groups are costing us over \$150 million a year, so a cut of 300 to 400 committees could bring some fair savings.

Where do we stand on the look at the Committee structure?

Ms. RIVLIN. Well, we have succeeded in cutting out a lot of them. I do not know whether we have gotten to exactly a third. We are having the problem that everybody has, that there are reasons to have some of these committees and there are even reasons to create some new ones. But what we are trying to do is get rid of the ones that are unnecessary, and in the judgment of the agency itself, and retain the ones that serve a useful function.

Chairman GLENN. Is there any target date for when you will have that review completed?

Ms. RIVLIN. I do not know. I will get back to you on that.

Chairman GLENN. If you would, please. Some of these are going to have to have legislation to eliminate them, and should we include that as part of this H.R. 3400 package?

Ms. RIVLIN. I do not have a comment on that. We did not seek such legislation. I do not think we think we need it.

One thing I think that has come out of this review is that there are various functions that many of us did not think of as advisory committees, like, for example, the scientists that peer review research, and we obviously cannot do without that. We may not need quite as many of them, but I think most people do not think of those groups as Federal advisory committees. But they are there, and they constitute a significant portion of the list.

Chairman GLENN. No, I am not proposing that we do away with all the Committees because I think they perform a necessary function and in many cases do it at a cheaper cost than we would be able to do it otherwise. But we do have a growth of those committees. It gets a little out of hand sometimes.

I do not have any other questions. Any other staff members have anything representing their members that they wanted to ask?

[No response.]

Chairman GLENN. Good.

Ms. RIVLIN. They all know our telephone number if they will have further questions.

Chairman GLENN. We will be calling. Thank you.

Ms. RIVLIN. Thank you, Mr. Chairman.

Whereupon, at 12:19 p.m., the Committee was adjourned.]

103D CONGRESS
1ST SESSION

H. R. 3400

IN THE SENATE OF THE UNITED STATES

NOVEMBER 23, 1993

Received; read twice and referred to the Committee on Governmental Affairs

AN ACT

To provide a more effective, efficient, and responsive
government.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Government Reform and Savings Act of 1993”

6 (b) **TABLE OF CONTENTS.**—

Sec. 1. Short title and table of contents.

TITLE I—DEPARTMENT OF AGRICULTURE

Subtitle A—Department of Agriculture Reorganization

Sec. 1001. Department of Agriculture reorganization.

 Subtitle B—Eliminating Federal Support for Honey

 Sec. 1101. Amendments to section 207 of the Agricultural Act of 1949.

 Sec. 1102. Amendment to section 405 of the Agricultural Act of 1949.

 Sec. 1103. Amendments to section 405A of the Agricultural Act of 1949.

 Sec. 1104. Savings provision.

TITLE II—DEPARTMENT OF COMMERCE

Sec. 2001. Polar satellite convergence.

TITLE III—DEPARTMENT OF DEFENSE

- Sec. 3001. Use of proceeds from the sale of recyclable materials at military installations.
- Sec. 3002. Closure of the Uniformed Services University of the Health Sciences.
- Sec. 3003. Streamlining and reorganization of the Corps of Engineers.

TITLE IV—DEPARTMENT OF ENERGY

Subtitle A—Alaska Power Administration Sale Authorization

- Sec. 4001. Short title.
- Sec. 4002. Sale of Snettisham and Eklutna hydroelectric projects.
- Sec. 4003. Assessment of alternative options.

Subtitle B—Federal-Private Cogeneration of Electricity

- Sec. 4101. Federal-private cogeneration of electricity.

Subtitle C—Power Marketing Administrations

- Sec. 4201. Power Marketing Administrations refinancing study.
- Sec. 4202. Bonneville Power Administration refinancing study.

Subtitle D—Termination of Advanced Liquid Metal Reactor Program

- Sec. 4301. Termination of advanced liquid metal reactor program.

TITLE V—DEPARTMENT OF HEALTH AND HUMAN SERVICES

- Sec. 5001. Study of methods to increase flexibility in contracting for Medicare claims processing.
- Sec. 5002. Workers' compensation data exchange pilot projects.
- Sec. 5003. Federal clearinghouse on death information.
- Sec. 5004. Continuing disability reviews.

TITLE VI—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

- Sec. 6001. Multifamily property disposition.
- Sec. 6002. Section 235 mortgage refinancing.
- Sec. 6003. Use of emergency assistance funds for residency in multifamily housing disposition projects.
- Sec. 6004. Additional employees to facilitate disposition of FHA inventory properties.
- Sec. 6005. HUD streamlining.

TITLE VII—DEPARTMENT OF THE INTERIOR

- Sec. 7001. Improvement of Minerals Management Service royalty collection.
- Sec. 7002. Phase out of Mineral Institute program.
- Sec. 7003. Reorganization study of Bureau of Indian Affairs.
- Sec. 7004. Termination of annual direct grant assistance

TITLE VIII—MISCELLANEOUS PROVISIONS

- Sec. 8001. Limitation on certain annual pay adjustments.

Sec. 8002. Reduction of Federal full-time equivalent positions.

TITLE IX—DEPARTMENT OF LABOR

Sec. 9001. Deterrence of fraud and abuse in FECA program.

Sec. 9002. Enhancement of reemployment programs for Federal employees disabled in the performance of duty.

Sec. 9003. Wage determinations.

Sec. 9004. Elimination of filing requirements.

TITLE X—DEPARTMENT OF STATE AND UNITED STATES INFORMATION AGENCY

Sec. 10001. Improvement of efficiency of State Department activities.

Sec. 10002. Improvement of efficiency of USIA public diplomacy activities.

TITLE XI—DEPARTMENT OF TRANSPORTATION

Sec. 11001. Reemployment rights for certain merchant seamen.

Sec. 11002. Reform of essential air service program.

Sec. 11003. Airway science program.

Sec. 11004. Collegiate training initiative.

TITLE XII—DEPARTMENT OF VETERANS AFFAIRS

Subtitle A—Administrative Improvements

Sec. 12001. Elimination of hospital and nursing home bed capacity requirements.

Sec. 12002. Elimination of requirement for minimum number of personnel in the Office of Inspector General.

Sec. 12003. Modification of administrative reorganization authority.

Sec. 12004. Elimination of requirement for certain services in the Veterans Health Administration.

Sec. 12005. Modification of physician requirement for certain senior Veterans Health Administration officials.

Sec. 12006. Use of funds recovered from third parties.

Subtitle B—Closure of Certain Facilities

Sec. 12101. Closure of supply depots.

Sec. 12102. Waiver of other provisions.

Subtitle C—Provision of Information From the Medicare and Medicaid Coverage Data Bank to the Department of Veterans Affairs

Sec. 12201. Provision of data bank information to Department of Veterans Affairs.

Subtitle D—Veterans' Appeals Improvements

Sec. 12301. Board of Veterans' Appeals.

Sec. 12302. Decisions by the Board.

Sec. 12303. Technical correction.

Sec. 12304. Hearings.

Sec. 12305. Elimination of requirement for annual income questionnaires.

TITLE XIII—HUMAN RESOURCE MANAGEMENT

Sec. 13001. Federal workforce training.
Sec. 13002. SES annual leave accumulation.

TITLE XIV—REINVENTING SUPPORT SERVICES

Sec. 14001. Short title.
Sec. 14002. Transfer of functions.
Sec. 14003. Government publications to be available throughout the Government.
Sec. 14004. Inventory and furnishing of Government publications.
Sec. 14005. Additional responsibilities of the Public Printer.
Sec. 14006. Additional responsibilities of the Superintendent of Documents.
Sec. 14007. Depository libraries.
Sec. 14008. Definitions.

TITLE XV—STREAMLINING MANAGEMENT CONTROL

Sec. 15001. Authority to increase efficiency in reporting to Congress.

TITLE XVI—FINANCIAL MANAGEMENT

Sec. 16001. Short title.
Sec. 16002. Electronic payments.
Sec. 16003. Franchise funds and innovation funds.
Sec. 16004. Simplification of management reporting process.
Sec. 16005. Annual financial reports.
Sec. 16006. Authorization of appropriations for enhancing debt collection.
Sec. 16007. Contracts for collection services.
Sec. 16008. Notification to agencies of debtors' mailing addresses.
Sec. 16009. Contracts for collection services.
Sec. 16010. Adjusting civil monetary penalties for inflation.

TITLE XVII—RESCISSESS OF BUDGET AUTHORITY

Sec. 17001. Short title.

Subtitle A—Department of Agriculture, Rural Development, Food and Drug Administration, and Related Agencies

Subtitle B—Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies

Subtitle C—Energy and Water Development

Subtitle D—Foreign Operations, Export Financing, and Related Agencies

Subtitle E—Department of the Interior and Related Agencies

Subtitle F—Departments of Labor, Health and Human Services, Education, and Related Agencies

Subtitle G—Legislative Branch

Subtitle H—Department of Defense-Military

Subtitle I—Department of Transportation and Related Agencies

Subtitle J—Treasury, Postal Service, and General Government

Subtitle K—Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies

1 **TITLE I—DEPARTMENT OF 2 AGRICULTURE**

3 **Subtitle A—Department of 4 Agriculture Reorganization**

5 **SEC. 1001. DEPARTMENT OF AGRICULTURE REORGANIZA- 6 TION.**

7 (a) IN GENERAL.—The Secretary of Agriculture shall
8 (1) consolidate field, regional, and national offices within
9 the Department of Agriculture and (2) reduce personnel
10 by not less than 7,500 staff years, so as to achieve a re-
11 duction in expenditures by the Department of not less
12 than \$1,640,000,000 during the period fiscal years 1995
13 through 1999.

14 (b) AUTHORITIES.—In consolidating offices and re-
15 ducing personnel as required by subsection (a), the Sec-
16 retary shall take such action on the basis of the powers
17 vested in the Secretary under other laws.

18 **Subtitle B—Eliminating Federal 19 Support for Honey**

20 **SEC. 1101. AMENDMENTS TO SECTION 207 OF THE AGRICUL- 21 TURAL ACT OF 1949.**

22 (a) Section 207(a) of the Agricultural Act of 1949
23 is amended to read as follows:

1 "(a) IN GENERAL.—For each of the 1991 through
2 1995 crops of honey, the price of honey shall be supported
3 through loans, purchases, or other operations, except that
4 for the 1994 and 1995 crops, the price of honey shall be
5 supported through recourse loans.

6 "(1) For the 1991 through 1993 crop years,
7 the rate of support shall be not less than 53.8 cents
8 per pound.

9 "(2) For the 1994 and 1995 crop years, the
10 Secretary shall provide recourse loans to producers
11 at such a rate that minimizes costs and forfeitures,
12 except that such rate shall not be less than 44 cents
13 a pound. Section 407 shall not be applicable to
14 honey forfeited to the Commodity Credit Corpora-
15 tion under loans made under this paragraph.

16 "(3) A producer who fails to repay a loan made
17 under paragraph (2) by the end of the crop year fol-
18 lowing the crop year for which such loan was made
19 shall be ineligible for a loan under this section for
20 subsequent crop years, except that the Secretary
21 may waive this provision in any case where in which
22 the Secretary determines that the failure to repay
23 the loan was due to hardship conditions or cir-
24 cumstances beyond the control of the producer.".

1 (b) Section 207(b) of the Agricultural Act of 1949
2 is amended by striking "for a crop" and inserting "for
3 the 1991 through 1993 crops".

4 (c) Section 207(c) of the Agricultural Act of 1949
5 is amended by striking "1998" and inserting "1993".

6 (d) Section 207(e) of the Agricultural Act of 1949
7 is amended by—

8 (1) striking subparagraphs (D) through (G);
9 (2) inserting "and" after the semicolon follow-
10 ing subparagraph (B); and
11 (3) changing the semicolon following subpara-
12 graph (C) to a period.

13 (e) Section 207(j) of the Agricultural Act of 1949 is
14 amended by striking "1998" and inserting "1995".

15 **SEC. 1102. AMENDMENT TO SECTION 405 OF THE AGRICUL-
16 TURAL ACT OF 1949.**

17 Section 405(a) of the Agricultural Act of 1949 is
18 amended by striking in the first sentence "section 405A"
19 and inserting "sections 207 and 405A".

20 **SEC. 1103. AMENDMENTS TO SECTION 405A OF THE AGRI-
21 CULTURAL ACT OF 1949.**

22 Section 405A(a) of the Agricultural Act of 1949 is
23 amended by striking all that follows "1992 crop year,"
24 and inserting "and \$150,000 in the 1993 crop year.".

1 SEC. 1104. SAVINGS PROVISION.

2 A provision of this subtitle may not affect the liability
3 of any person under any provision of law as in effect be-
4 fore the effective date of the provision.

**5 TITLE II—DEPARTMENT OF
6 COMMERCE****7 SEC. 2001. POLAR SATELLITE CONVERGENCE.**

8 The Departments of Commerce and Defense and the
9 National Aeronautics and Space Administration shall pro-
10 pose a single operational polar environmental and weather
11 satellite system, which meets national needs. It is the
12 sense of Congress that such a proposed system, contingent
13 on the provision of adequate resources to fully meet the
14 national security interests of the United States, shall be
15 operated as a civil system by the Department of Com-
16 merce. A detailed implementation plan shall be submitted
17 to Congress by the Director of the Office of Science and
18 Technology Policy, in consultation with the Departments
19 of Commerce and Defense and the National Aeronautics
20 and Space Administration, by April 30, 1994. The plan
21 shall be designed to result in savings of up to \$300 million
22 in budget authority and up to \$251 million in outlays be-
23 tween fiscal years 1994 and 1999. The National Aero-
24 nautics and Space Administration and the National Oce-
25 anic and Atmospheric Administration shall jointly develop
26 a plan to implement a program modelled after the Oper-

1 ational Satellite Improvement Program for the purpose of
2 making incremental enhancements in operational weather
3 satellite systems. The goal of the plan shall be to achieve
4 these enhancements in a cost effective manner by imple-
5 menting procedures aimed at avoiding duplication of ef-
6 fort, cost overruns, and schedule delays. The Administra-
7 tors of the National Aeronautics and Space Administra-
8 tion and the National Oceanic and Atmospheric Adminis-
9 tration shall submit to Congress no later than April 30,
10 1994, a report detailing the elements of the plan and out-
11 lining savings in budget authority and budget outlays pro-
12 jected through fiscal year 1999.

13 **TITLE III—DEPARTMENT OF**
14 **DEFENSE**

15 **SEC. 3001. USE OF PROCEEDS FROM THE SALE OF RECY-
16 CLABLE MATERIALS AT MILITARY INSTALLA-
17 TIONS.**

18 Section 2577 of title 10, United States Code, is
19 amended by striking out subsections (b) and (c) and in-
20 serting in lieu thereof the following:

21 “(b). Proceeds from the sale of recyclable materials
22 at an installation shall be credited—
23 “(1) to funds available for operations and main-
24 tenance at that installation; and

1 “(2) at the discretion of the commander of the
2 installation and if a balance remains available after
3 such funds are credited, to the nonappropriated mo-
4 rale and welfare account of the installation to be
5 used for any morale or welfare activity.”.

6 **SEC. 3002. CLOSURE OF THE UNIFORMED SERVICES UNI-**
7 **VERSITY OF THE HEALTH SCIENCES.**

8 (a) **CLOSURE REQUIRED.**—Section 2112 of title 10,
9 United States Code, is amended—

10 (1) in subsection (c)—

11 (A) by inserting “and the closure” after
12 “The development”; and

13 (B) by striking out “subsection (a)” and
14 inserting in lieu thereof “subsections (a) and
15 (b)”; and

16 (2) by striking out subsection (b) and inserting
17 in lieu thereof the following new subsection:

18 “(b)(1) Not later than September 30, 1998, the Sec-
19 retary of Defense shall close the University. To achieve
20 the closure of the University by that date, the Secretary
21 shall begin to terminate the operations of the University
22 beginning in fiscal year 1995. On account of the required
23 closure of the University under this subsection, no stu-
24 dents may be admitted to begin studies in the University
25 after September 30, 1994.

1 “(2) Section 2687 of this title and any other provi-
2 sion of law establishing preconditions to the closure of any
3 activity of the Department of Defense shall not apply with
4 regard to the termination of the operations of the Univer-
5 sity or to the closure of the University pursuant to this
6 subsection.”.

7 (b) FINAL GRADUATION OF STUDENTS.—Section
8 2112(a) of such title is amended—

9 (1) in the second sentence, by striking out “,
10 with the first class graduating not later than Sep-
11 tember 21, 1982.” and inserting in lieu thereof “,
12 except that no students may be awarded degrees by
13 the University after September 30, 1998.”; and

14 (2) by adding at the end the following new sen-
15 tence: “On a case-by-case basis, the Secretary of De-
16 fense may provide for the continued education of a
17 person who, immediately before the closure of the
18 University under subsection (b), was a student in
19 the University and completed substantially all re-
20 quirements necessary to graduate from the Univer-
21 sity.”.

22 (c) TERMINATION OF UNIVERSITY BOARD OF RE-
23 GENTS.—Section 2113 of such title is amended by adding
24 at the end the following new subsection:

1 “(k) The Board shall terminate on September 30,
2 1998, except that the Secretary of Defense may terminate
3 the Board before that date as part of the termination of
4 the operations of the University under section 2112(b) of
5 this title.”.

6 (d) PROHIBITION ON RECIPROCAL AGREEMENTS.—
7 Section 2114(e)(1) of such title is amended by adding at
8 the end the following new sentence: “No agreement may
9 be entered into under this subsection after September 30,
10 1994, and all such agreements shall terminate not later
11 than September 30, 1998.”.

12 (e) CONFORMING AMENDMENTS.—(1) Section 178 of
13 such title, relating to the Henry M. Jackson Foundation
14 for the Advancement of Military Medicine, is amended—

15 (A) in subsection (b), by inserting after “Uni-
16 formed Services University of the Health Sciences,”
17 the following: “or after the closure of the University,
18 with the Department of Defense,”;

19 (B) in subsection (c)(1)(B), by striking out
20 “the Dean of the Uniformed Services University of
21 the Health Sciences” and inserting in lieu thereof “a
22 person designated by the Secretary of Defense”; and

23 (C) in subsection (g)(1), by inserting after
24 “Uniformed Services University of the Health

1 Sciences," the following: "or after the closure of the
2 University, the Secretary of Defense".

3 (2) Section 466(a)(1)(B) of the Public Health Service
4 Act (42 U.S.C. 286a(a)(1)(B)), relating to the Board of
5 Regents of the National Library of Medicine, is amended
6 by striking out "the Dean of the Uniformed Services Uni-
7 versity of the Health Sciences,".

8 (f) CLERICAL AMENDMENTS.—(1) The heading of
9 section 2112 of title 10, United States Code, is amended
10 to read to read as follows:

11 **“§ 2112. Establishment and closure of University”.**

12 (2) The item relating to such section in the table of
13 sections at the beginning of chapter 104 of such title is
14 amended to read as follows:

“2112. Establishment and closure of University.”.

15 **SEC. 3003. STREAMLINING AND REORGANIZATION OF**
16 **CORPS OF ENGINEERS.**

17 (a) DEVELOPMENT OF PLAN.—The Secretary of the
18 Army shall develop a plan to reorganize the United States
19 Army Corps of Engineers by reorganizing the head-
20 quarters offices, reducing the number of division offices,
21 and restructuring the district functions so as to increase
22 the efficiency of the United States Army Corps of Engi-
23 neers and reduce staff and costs, with the goal of achiev-
24 ing approximately \$50 million in net annual savings by
25 fiscal year 1998.

1 (b) TRANSMITTAL AND APPROVAL OF PLAN.—The
2 Secretary of the Army shall transmit to Congress the plan
3 developed under subsection (a) for approval. The Sec-
4 retary shall not implement such plan until it is approved
5 by Congress.

6 **TITLE IV—DEPARTMENT OF**
7 **ENERGY**

8 **Subtitle A—Alaska Power**
9 **Administration Sale Authorization**

10 **SEC. 4001. SHORT TITLE.**

11 This subtitle may be cited as the “Alaska Power Ad-
12 ministration Sale Authorization Act”.

13 **SEC. 4002. SALE OF SNETTISHAM AND EKLUTNA HYDRO-**
14 **ELECTRIC PROJECTS.**

15 (a) The Secretary of Energy may sell the Snettisham
16 Hydroelectric Project (referred to in this subtitle as
17 “Snettisham”) to the State of Alaska Power Authority
18 (now known as the Alaska Industrial Development and
19 Export Authority, and referred to in this subtitle as the
20 “Authority”), or its successor, in accordance with the Feb-
21 ruary 10, 1989, Snettisham Purchase Agreement between
22 the Alaska Power Administration of the United States De-
23 partment of Energy and the Authority.

24 (b) The Secretary of Energy may sell the Eklutna
25 Hydroelectric Project (referred to in this subtitle as

1 "Eklutna") to the Municipality of Anchorage doing busi-
2 ness as Municipal Light and Power, the Chugach Electric
3 Association, Inc., and the Matanuska Electric Association,
4 Inc. (referred to in this subtitle as "Eklutna Purchasers")
5 in accordance with the August 2, 1989, Eklutna Purchase
6 Agreement between the United States Department of En-
7 ergy and the Eklutna Purchasers.

8 (e) The heads of other affected Federal departments
9 and agencies, including the Secretary of the Interior, shall
10 assist the Secretary of Energy in implementing the sales
11 authorized by this Act.

12 (d) The Secretary of Energy shall deposit sale pro-
13 ceeds in the Treasury of the United States to the credit
14 of miscellaneous receipts.

15 (e) There are authorized to be appropriated such
16 sums as are necessary to prepare or acquire Eklutna and
17 Snettisham assets for sale and conveyance, such prepara-
18 tions to provide sufficient title to ensure the beneficial use,
19 enjoyment, and occupancy to the purchasers of the assets
20 to be sold.

21 (f) No later than one year after both of the sales au-
22 thorized in section 4002 have occurred, as measured by
23 the Transaction Dates stipulated in the Purchase Agree-
24 ments, the Secretary of Energy shall—

1 (1) complete the business of, and close out, the
2 Alaska Power Administration; and
3 (2) prepare and submit to Congress a report
4 documenting the sales.

5 **SEC. 4003. ASSESSMENT OF ALTERNATIVE OPTIONS.**

6 Before taking any action authorized in section 4002,
7 the Secretary shall assess the feasibility of alternative op-
8 tions for maximizing the return to the Treasury from the
9 sale of the Alaska Power Marketing Administration.

10 **Subtitle B—Federal-Private
11 Cogeneration of Electricity**

12 **SEC. 4101. FEDERAL-PRIVATE COGENERATION OF ELEC-
13 TRICITY.**

14 Section 804(2)(B) of the National Energy Conserva-
15 tion Policy Act (42 U.S.C. 8287c(2)(B)) is amended by
16 striking “, excluding any cogeneration process for other
17 than a federally owned building or buildings or other fed-
18 erally owned facilities.”.

19 **Subtitle C—Power Marketing
20 Administrations**

21 **SEC. 4201. POWER MARKETING ADMINISTRATIONS REFI-
22 NANCING STUDY.**

23 The Administrators of the Southeastern, Southwest-
24 ern and Western Area Power Administrations, in consulta-
25 tion with their respective firm power contractors and other

1 interested parties (including, where applicable, the Bureau
2 of Reclamation), shall study refinancing options, including
3 modifications to existing financial and accounting prac-
4 tices that may be required to effectively and efficiently
5 issue and manage revenue bonds. Such refinancing options
6 shall, for each of the power systems they administer, sat-
7 isfy their respective repayment obligations to the United
8 States Treasury without causing any increase in their re-
9 spective firm power rates beyond the rates that would oth-
10 erwise result under rate-setting policies and practices in
11 effect on October 1, 1993. The results of such studies shall
12 be submitted no later than May 1, 1994, to the Speaker
13 of the House of Representatives and the President of the
14 Senate. Such studies shall be made within the limits of
15 existing funding, or, if necessary, with funds contributed
16 by firm power contractors.

17 **SEC. 4202. BONNEVILLE POWER ADMINISTRATION REFI-**
18 **NANCING STUDY.**

19 The Administrator of the Bonneville Power Adminis-
20 tration, in consultation with his customers and constitu-
21 ents, shall study options, including an open market
22 buyout, a Treasury buyout, or any other reasonable alter-
23 native that would lead to a permanent resolution of the
24 repayment reform initiative directed at Bonneville's appro-
25 priation investment repayment obligation. Such refinanc-

1 ing options shall satisfy the outstanding appropriated in-
2 vestment repayment obligation, without increasing rates
3 beyond the rates that would otherwise result under rate-
4 setting policies and practices in effect on October 1, 1993.
5 The result of this study shall be submitted to the Speaker
6 of the House of Representatives and the President of the
7 Senate no later than March 1, 1994.

8 **Subtitle D—Termination of Ad-**
9 **vanced Liquid Metal Reactor**
10 **Program**

11 SEC. 4301. TERMINATION OF ADVANCED LIQUID METAL RE-
12 ACTOR PROGRAM.

13 (a) IN GENERAL.—No amount of funds provided for
14 any fiscal year may be obligated by the Secretary of En-
15 ergy after the date of the enactment of this Act for the
16 civilian portion of the advanced liquid metal reactor pro-
17 gram, including—

18 (1) the program's promotion of the use of such
19 reactors for the disposal of high-level radioactive
20 waste; and

21 (2) Department of Energy support for regu-
22 latory applications to the Nuclear Regulatory Com-
23 mission for design certification for advanced liquid
24 metal reactors or related licensed facilities.

1 (b) PROHIBITION OF OTHER USES.—The amount of
2 funds available on the date of the enactment of this Act
3 for obligation for the program described in subsection (a)
4 shall not be available for obligation by the Secretary of
5 Energy after such date for any other purpose.

6 (c) EXCEPTION.—Subsections (a) and (b) shall not
7 apply to obligations required to be incurred in terminating
8 the program described in subsection (a).

9 **TITLE V—DEPARTMENT OF
10 HEALTH AND HUMAN SERVICES**

11 **SEC. 5001. STUDY OF METHODS TO INCREASE FLEXIBILITY
12 IN CONTRACTING FOR MEDICARE CLAIMS
13 PROCESSING.**

14 (a) STUDY.—The Secretary of Health and Human
15 Services shall conduct a study of methods to increase flexi-
16 bility in contracting for claims processing under the medi-
17 care program and to otherwise simplify the administration
18 of program, and shall include in the study an analysis of
19 the feasibility and desirability of carrying out the following
20 changes to the program:

21 (1) Permitting entities other than insurance
22 companies to serve as carriers under part B of the
23 program.

24 (2) Eliminating the requirement that fiscal
25 intermediaries under part A of the program be nom-

1 inated by a group or association of providers of serv-
2 ices under such part.

3 (3) Increasing the Secretary's flexibility in as-
4 signing particular functions to fiscal intermediaries
5 and carriers.

6 (4) Expanding the circumstances and standards
7 under which the Secretary may terminate a contract
8 with a fiscal intermediary or a carrier.

9 (5) Permitting the Secretary to require that a
10 fiscal intermediary or a carrier meet data matching
11 requirements for purposes of identifying situations
12 in which medicare is a secondary payer.

13 (6) Eliminating the requirements that the Sec-
14 retary make an additional payment to fiscal
15 intermediaries and carriers for administrative costs.

16 (7) Eliminating the requirement that the Sec-
17 retary enter into an agreement with a separate car-
18 rier for purposes of administering part B with re-
19 spect to individuals entitled to benefits as qualified
20 railroad retirement beneficiaries.

21 (b) REPORT.—Not later than April 30, 1994, the
22 Secretary shall submit a report to the Committees on En-
23 ergy and Commerce and Ways and Means of the House
24 of Representatives and the Committee on Finance of the
25 Senate on the study conducted under subsection (a), to-

1 gether with any recommendations of the Secretary for
2 statutory revisions to increase flexibility and reduce costs
3 in the administration of the medicare program.

4 **SEC. 5002. WORKERS' COMPENSATION DATA EXCHANGE**
5 **PILOT PROJECTS.**

6 (a) **IN GENERAL.**—The Secretary is authorized to
7 conduct pilot projects with not more than three States for
8 the purpose of studying various means of obtaining on a
9 timely and accurate basis such information relating to
10 benefits paid on account of total or partial disability under
11 the States' workers' compensation plan as the Secretary
12 may require for the purpose of carrying out section 224
13 of the Social Security Act.

14 (b) **REIMBURSEMENT OF STATE COSTS.**—A State
15 that participates in a project conducted pursuant to sub-
16 section (a) may be paid by the Seeretary, from amounts
17 available pursuant to subsection (e), the reasonable costs
18 of such participation.

19 (c) **EVALUATION.**—The Seeretary shall evaluate each
20 project conducted pursuant to subsection (a) and shall
21 apply the findings, as appropriate, to agreements nego-
22 tiated pursuant to subsection (h)(2) of such section 224.

23 (d) **DEADLINE FOR COMMENCEMENT OF**
24 **PROJECTS.**—No pilot project authorized by subsection (a)

1 may be commenced after the expiration of the 5-year pe-
2 riod beginning on the date of enactment of this section.

3 (e) FUNDING.—Expenditures for pilot projects con-
4 ducted pursuant to subsection (a) may be made from the
5 Federal Disability Insurance Trust Fund and the Old-Age
6 and Survivors Insurance Trust Fund, as determined ap-
7 propriate by the Secretary.

8 (f) EFFECTIVE DATE.—This section shall be effective
9 upon enactment.

10 **SEC. 5003. FEDERAL CLEARINGHOUSE ON DEATH INFOR-**
11 **MATION.**

12 (a) CLEARINGHOUSE DESIGNATION.—The heading
13 for section 205(r) of the Social Security Act is amended
14 to read as follows: “Clearinghouse on Death Information”.

15 (b) ACQUISITION OF DISCLOSABLE DEATH INFORMA-
16 TION FROM STATES.—

17 (1) Section 205(r)(1)(A) of the Social Security
18 Act is amended by striking “to furnish the Secretary
19 periodically with” and inserting “to furnish periodi-
20 cally to the Secretary, for use in carrying out sub-
21 paragraph (B) and paragraphs (3) and (4),”.

22 (2)(A) Notwithstanding clause (ii) of section
23 6103(d)(4)(B) of the Internal Revenue Code of 1986
24 (as added by section 13444(a) of the Omnibus
25 Budget Reconciliation Act of 1993 (Public Law

1 103–66)), in order for a contract requiring a State
2 to furnish the Secretary of Health and Human Serv-
3 ices information concerning individuals with respect
4 to whom death certificates (or equivalent documents
5 maintained by the State or any subdivision thereof)
6 have been officially filed with it to meet the require-
7 ments of such section 6103(d)(4)(B), such contract
8 shall authorize the Secretary to use such information
9 and to redisclose such information to any Federal
10 agency or any agency of a State or political subdivi-
11 sion in accordance with section 205(r) of the Social
12 Security Act.

13 (B) The provisions of subparagraph (A) of this
14 paragraph and, notwithstanding subparagraph (C)
15 of section 6103(d)(4) of the Internal Revenue Code
16 of 1986 (as added by section 13444(a) of the Omni-
17 bus Budget Reconciliation Act of 1993 (Public Law
18 103–66)), the provisions of subparagraphs (A) and
19 (B) of such section 6103(d)(4) shall apply to all
20 States, regardless of whether they were, on July 1,
21 1993, pursuant to a contract, furnishing the Sec-
22 retary of Health and Human Services information
23 concerning individuals with respect to whom death
24 certificates (or equivalent documents maintained by

1 the State or any subdivision thereof) have been officially filed with it.

3 (C) Subparagraphs (A) and (B) of this paragraph shall take effect at the same time as the amendment made by section 13444(a) of the Omnibus Budget Reconciliation Act of 1993 takes effect.

7 (D) For the purpose of applying the special rule contained in section 13444(b)(2) of the Omnibus Budget Reconciliation Act of 1993, the reference in such section to section 6103(d)(4)(B) of the Internal Revenue Code of 1986 shall be deemed to include a reference to subparagraph (A) of this paragraph.

13 (c) PAYMENT TO STATES FOR DEATH INFORMATION.—Section 205(r)(2) of the Social Security Act is amended—

16 (1) by striking “the reasonable costs” and inserting “a reasonable amount”; and

18 (2) by striking “transcribing and transmitting” and inserting “furnishing”.

20 (d) FEE FOR CLEARINGHOUSE INFORMATION.—

21 (1) Section 205(r)(3) of the Social Security Act is amended by striking out “if” and all that follows, and inserting “, provided that such agency agrees to pay the fees set by the Secretary pursuant to paragraph (8).”.

25

(2) Section 205(r)(4) of the Social Security Act
is amended—

3 (A) by inserting "and political subdivisions" after "States" the first place such term
4 appears;

(B) by striking "the States" and inserting
"any State, political subdivision, or combination
thereof"; and

(C) by striking "if" and all that follows and inserting "provided such States and political subdivisions agree to pay the fees set by the Secretary pursuant to paragraph (8).".

24 (e) TECHNICAL ASSISTANCE.—Section 205(r) of the
25 Social Security Act is amended by adding at the end (after

1 the paragraph added by subsection (d)(3)) the following
2 new paragraph:

3 “(9) The Secretary may provide to any Federal or
4 State agency that provides Federally funded benefits,
5 upon the request of such agency, technical assistance on
6 the effective collection, dissemination, and use of death in-
7 formation available under this subsection for the purpose
8 of ensuring that such benefits are not erroneously paid
9 to deceased individuals.”.

10 (f) TECHNICAL AMENDMENT.—Section 205(r) of the
11 Social Security Act is amended by adding at the end (after
12 the paragraph added by subsection (e)) the following new
13 paragraph:

14 “(10) For purposes of this subsection, the term ‘Fed-
15 erally funded benefit’ means any payment funded in whole
16 or in part by the Federal Government.”.

17 (g) EFFECTIVE DATE.—Except as otherwise pro-
18 vided, the amendments made by this section shall take ef-
19 feet upon their enactment.

20 **SEC. 5004. CONTINUING DISABILITY REVIEWS.**

21 Section 201(g)(1)(A) of the Social Security Act is
22 amended by adding at the end of the paragraph the follow-
23 ing sentence: “From funds provided pursuant to this sub-
24 paragraph for the following fiscal years, not less than the
25 following amounts shall be available only for conducting

1 continuing disability reviews and related workloads: for
2 fiscal year 1994, \$46 million; for fiscal year 1995,
3 \$47,200,000; for fiscal year 1996, \$48,500,000; for fiscal
4 year 1997, \$49,800,000; for fiscal year 1998,
5 \$51,100,000; and for fiscal year 1999, \$52,500,000.”.

6 **TITLE VI—DEPARTMENT OF
7 HOUSING AND URBAN DEVELOP-
8 MENT**

9 **SEC. 6001. MULTIFAMILY PROPERTY DISPOSITION.**

10 (a) FINDINGS.—The Congress finds that—

11 (1) the portfolio of multifamily housing project
12 mortgages insured by the FHA is severely troubled
13 and at risk of default, requiring the Secretary to in-
14 crease loss reserves from \$5,500,000,000 in 1991 to
15 \$11,900,000,000 in 1992 to cover estimated future
16 losses;

17 (2) the inventory of multifamily housing
18 projects owned by the Secretary has more than tri-
19 pled since 1989, and, by the end of 1993, may ex-
20 ceed 75,000 units;

21 (3) the cost to the Federal Government of own-
22 ing and maintaining multifamily housing projects es-
23 calated to approximately \$250,000,000 in fiscal year
24 1992;

1 (4) the inventory of multifamily housing
2 projects subject to mortgages held by the Secretary
3 has increased dramatically, to more than 2,400
4 mortgages, and approximately half of these mort-
5 gages, with over 230,000 units, are delinquent;

6 (5) the inventory of insured and formerly in-
7 sured multifamily housing projects is rapidly deterio-
8 rating, endangering tenants and neighborhoods;

9 (6) over 5 million families today have a critical
10 need for housing that is affordable and habitable;
11 and

12 (7) the current statutory framework governing
13 the disposition of multifamily housing projects effec-
14 tively impedes the Government's ability to dispose of
15 properties, protect tenants, and ensure that projects
16 are maintained over time.

17 (b) MANAGEMENT AND DISPOSITION OF MULTIFAM-
18 ILY HOUSING PROJECTS.—Section 203 of the Housing
19 and Community Development Amendments of 1978 (12
20 U.S.C. 1701z-11) is amended to read as follows:

21 **“SEC. 203. MANAGEMENT AND DISPOSITION OF MULTIFAM-**
22 **ILY HOUSING PROJECTS.**

23 “(a) GOALS.—The Secretary of Housing and Urban
24 Development shall manage or dispose of multifamily hous-
25 ing projects that are owned by the Secretary or that are

1 subject to a mortgage held by the Secretary in a manner
2 that—

3 “(1) is consistent with the National Housing
4 Act and this section;

5 “(2) will protect the financial interests of the
6 Federal Government; and

7 “(3) will, in the least costly fashion among rea-
8 sonable available alternatives, further the goals of—

9 “(A) preserving housing so that it can re-
10 main available to and affordable by low-income
11 persons;

12 “(B) preserving and revitalizing residential
13 neighborhoods;

14 “(C) maintaining existing housing stock in
15 a decent, safe, and sanitary condition;

16 “(D) minimizing the involuntary displace-
17 ment of tenants;

18 “(E) maintaining housing for the purpose
19 of providing rental housing, cooperative hous-
20 ing, and homeownership opportunities for low-
21 income persons; and

22 “(F) minimizing the need to demolish mul-
23 tifamily housing projects.

24 The Secretary, in determining the manner in which a
25 project is to be managed or disposed of, may balance com-

1 peting goals relating to individual projects in a manner
2 that will further the purposes of this section.

3 “(b) DEFINITIONS.—For purposes of this section:

4 “(1) MULTIFAMILY HOUSING PROJECT.—The
5 term ‘multifamily housing project’ means any multi-
6 family rental housing project which is, or prior to
7 acquisition by the Secretary was, assisted or insured
8 under the National Housing Act, or was subject to
9 a loan under section 202 of the Housing Act of
10 1959.

11 “(2) SUBSIDIZED PROJECT.—The term ‘sub-
12 sidized project’ means a multifamily housing project
13 that, immediately prior to the assignment of the
14 mortgage on such project to, or the acquisition of
15 such mortgage by, the Secretary, was receiving any
16 of the following types of assistance:

17 “(A) Below market interest rate mortgage
18 insurance under the proviso of section
19 221(d)(5) of the National Housing Act.

20 “(B) Interest reduction payments made in
21 connection with mortgages insured under sec-
22 tion 236 of the National Housing Act.

23 “(C) Direct loans made under section 202
24 of the Housing Act of 1959.

25 “(D) Assistance in the form of—

1 “(i) rent supplement payments under
2 section 101 of the Housing and Urban De-
3 velopment Act of 1965,

4 “(ii) additional assistance payments
5 under section 236(f)(2) of the National
6 Housing Act,

7 “(iii) housing assistance payments
8 made under section 23 of the United
9 States Housing Act of 1937 (as in effect
10 before January 1, 1975), or

11 “(iv) housing assistance payments
12 made under section 8 of the United States
13 Housing Act of 1937 (excluding payments
14 made for tenant-based assistance under
15 section 8),

16 if (except for purposes of section 183(c) of the
17 Housing and Community Development Act of
18 1987) such assistance payments are made to
19 more than 50 percent of the units in the
20 project.

21 “(3) FORMERLY SUBSIDIZED PROJECT.—The
22 term ‘formerly subsidized project’ means a multi-
23 family housing project owned by the Secretary that
24 was a subsidized project immediately prior to its ac-
25 quisition by the Secretary.

1 “(4) UNSUBSIDIZED PROJECT.—The term
2 ‘unsubsidized project’ means a multifamily housing
3 project owned by the Secretary that is not a sub-
4 sidized project or a formerly subsidized project.

5 “(5) AFFORDABLE.—A unit shall be considered
6 affordable if—

7 “(A) for units occupied—

8 “(i) by very low-income families, the
9 rent does not exceed 30 percent of 50 per-
10 cent of the area median income, as deter-
11 mined by the Secretary, with adjustments
12 for smaller and larger families, except that
13 the Secretary may establish the rent based
14 on an amount higher or lower than 50 per-
15 cent of the median for the area on the
16 basis of the Secretary’s findings that such
17 variation is necessary because of prevailing
18 levels of construction costs or fair market
19 rents, or unusually high or low family in-
20 comes; and

21 “(ii) by low-income families other
22 than very low-income families, the rent
23 does not exceed 30 percent of 80 percent
24 of the area median income, as determined
25 by the Secretary, except that the Secretary

1 may establish the rent based on an amount
2 higher or lower than 80 percent of the me-
3 dian for the area on the basis of the Sec-
4 retary's findings that such variation is nec-
5 essary because of prevailing levels of con-
6 struction costs or fair market rents, or un-
7 usually high or low family incomes; or

8 " (B) the unit, or the family residing in the
9 unit, is receiving assistance under section 8 of
10 the United States Housing Act of 1937.

11 " (6) LOW-INCOME FAMILIES AND VERY LOW-IN-
12 COME FAMILIES.—The terms 'low-income families'
13 and 'very low-income families' shall have the mean-
14 ings given the terms in section 3(b) of the United
15 States Housing Act of 1937.

16 " (7) PREEXISTING TENANT.—The term 'pre-
17 existing tenant' means, with respect to a multifamily
18 housing project, a family that—

19 " (A) resides in a unit in the project; and

20 " (B) immediately before foreclosure or ac-
21 quisition of the project by the Secretary, was
22 residing in a unit in the project.

23 " (8) MARKET AREA.—The term 'market area'
24 means a market area determined by the Secretary
25 for purposes of establishing fair market rentals

1 under section 8(c) of the United States Housing Act
2 of 1937.

3 “(9) SECRETARY.—The term ‘Secretary’ means
4 the Secretary of Housing and Urban Development.

5 “(c) MANAGEMENT OR DISPOSITION OF PROP-
6 ERTY.—

7 “(1) DISPOSITION TO PURCHASERS.—The Sec-
8 retary may, in carrying out this section, dispose of
9 a multifamily housing project owned by the Sec-
10 retary on a negotiated, competitive bid, or other
11 basis, on such terms as the Secretary deems appro-
12 priate considering the low-income character of the
13 project and the market area in which the project is
14 located and the requirements of subsection (a), to a
15 purchaser determined by the Secretary to be capable
16 of—

17 “(A) satisfying the conditions of the dis-
18 position;

19 “(B) implementing a sound financial and
20 physical management program that is designed
21 to enable the project to meet anticipated oper-
22 ating and repair expenses to ensure that the
23 project will remain in decent, safe, and sanitary
24 condition;

35

1 “(C) responding to the needs of the ten-
2 ants and working cooperatively with tenant or-
3 ganizations;

4 “(D) providing adequate organizational,
5 staff, and financial resources to the project; and

6 “(E) meeting such other requirements as
7 the Secretary may determine.

8 “(2) CONTRACTING FOR MANAGEMENT SERV-
9 ICES.—The Secretary may, in carrying out this
10 section—

11 “(A) contract for management services for
12 a multifamily housing project that is owned by
13 the Secretary (or for which the Secretary is
14 mortgagee in possession), on a negotiated, com-
15 petitive bid, or other basis at a price deter-
16 mined by the Secretary to be reasonable, with
17 a manager the Secretary has determined is ca-
18 pable of—

19 “(i) implementing a sound financial
20 and physical management program that is
21 designed to enable the project to meet an-
22 ticipated operating and maintenance ex-
23 penses to ensure that the project will re-
24 main in decent, safe, and sanitary condi-
25 tion;

1 “(ii) responding to the needs of the
2 tenants and working cooperatively with
3 tenant organizations;

4 “(iii) providing adequate organizational,
5 staff, and other resources to implement a management program determined
6 by the Secretary; and

7 “(iv) meeting such other requirements
8 as the Secretary may determine;

9 “(B) require the owner of a multifamily
10 housing project that is subject to a mortgage
11 held by the Secretary to contract for management services for the project in the manner de-
12 scribed in subparagraph (A); and

13 “(C) contract for management of such
14 properties with nonprofit organizations and
15 public agencies, including public housing au-
16 thorities.

17 “(d) MAINTENANCE OF HOUSING PROJECTS.—

18 “(1) HOUSING PROJECTS OWNED BY THE SEC-
19 RETARY.—In the case of multifamily housing
20 projects that are owned by the Secretary (or for
21 which the Secretary is mortgagee in possession), the
22 Secretary shall—

1 “(A) to the greatest extent possible, main-
2 tain all such occupied projects in a decent, safe,
3 and sanitary condition;

4 “(B) to the greatest extent possible, main-
5 tain full occupancy in all such projects; and

6 “(C) maintain all such projects for pur-
7 poses of providing rental or cooperative hous-
8 ing.

9 “(2) HOUSING PROJECTS SUBJECT TO A MORT-
10 GAGE HELD BY SECRETARY.—In the case of any
11 multifamily housing project that is subject to a
12 mortgage held by the Secretary, the Secretary shall
13 require the owner of the project to carry out the re-
14 quirements of paragraph (1).

15 “(3) HOUSING STANDARDS.—In disposing of
16 any multifamily housing project under this section,
17 the Secretary shall enter into an agreement with the
18 purchaser under which the purchaser agrees that the
19 project will be rehabilitated so that it is in compli-
20 ance with, and will be maintained in compliance
21 with, any standards under applicable State or local
22 laws, rules, ordinances, or regulations relating to the
23 physical condition of the housing and any such
24 standards established by the Secretary.

1 "(e) REQUIRED ASSISTANCE.—In disposing of any
2 multifamily housing property under this section, the Sec-
3 retary shall take, separately or in combination, one or
4 more of the following actions:

5 "(1) CONTRACT WITH OWNER FOR PROJECT-
6 BASED ASSISTANCE.—In the case of multifamily
7 housing projects that are acquired by a purchaser
8 other than the Secretary at foreclosure or after sale
9 by the Secretary, the Secretary may enter into con-
10 tracts under section 8 of the United States Housing
11 Act of 1937 (to the extent budget authority is avail-
12 able) with owners of the projects, subject to the fol-
13 lowing requirements:

14 "(A) SUBSIDIZED OR FORMERLY SUB-
15 SIDIZED PROJECTS RECEIVING MORTGAGE-RE-
16 LATED ASSISTANCE.—In the case of a sub-
17 sidized or formerly subsidized project referred
18 to in subparagraphs (A) through (C) of sub-
19 section (b)(2)—

20 "(i) the contract shall be sufficient to
21 assist at least all units covered by an as-
22 sistance contract under any of the authori-
23 ties referred to in subsection (b)(2)(D) be-
24 fore acquisition, unless the Secretary acts

1 pursuant to the provisions of subparagraph
2 (C);

3 “(ii) the contract shall provide that,
4 when a vacancy occurs in any unit in the
5 project requiring project-based rental as-
6 sistance pursuant to this subparagraph
7 that is occupied by a family who is not eli-
8 gible for assistance under such section 8,
9 the owner shall lease the available unit to
10 a family eligible for assistance under such
11 section 8; and

12 “(iii) the Secretary shall take actions
13 to ensure that any unit in any such project
14 that does not otherwise receive project-
15 based assistance under this subparagraph
16 remains available and affordable for the re-
17 maining useful life of the project, as de-
18 fined by the Secretary; to carry out this
19 clause, the Secretary may require pur-
20 chasers to establish use or rent restrictions
21 maintaining the affordability of such units.

22 **“(B) SUBSIDIZED OR FORMERLY SUB-**
23 **SIDIZED PROJECTS RECEIVING RENTAL ASSIST-**
24 **ANCE.—**In the case of a subsidized or formerly
25 subsidized project referred to in subsection

1 (b)(2)(D) that is not subject to subparagraph
2 (A)—

3 “(i) the contract shall be sufficient to
4 assist at least all units in the project that
5 are covered, or were covered immediately
6 before foreclosure on or acquisition of the
7 project by the Secretary, by an assistance
8 contract under any of the provisions re-
9 ferred to in such subsection, unless the
10 Secretary acts pursuant to provisions of
11 subparagraph (C); and

12 “(ii) the contract shall provide that,
13 when a vacancy occurs in any unit in the
14 project requiring project-based rental as-
15 sistance pursuant to this subparagraph
16 that is occupied by a family who is not eli-
17 gible for assistance under such section 8,
18 the owner shall lease the available unit to
19 a family eligible for assistance under such
20 section 8.

21 “(C) EXCEPTIONS.—In lieu of providing
22 project-based assistance under subparagraph
23 (A)(i) or (B)(i) for a project, the Secretary may
24 require certain units in unsubsidized projects to
25 contain use restrictions providing that such

1 units will be available to and affordable by very
2 low-income families for the remaining useful life
3 of the project, as defined by the Secretary, if—

4 “(i) the Secretary provides an in-
5 crease in project-based assistance for very
6 low-income persons for units within
7 unsubsidized projects located within the
8 same market area as the project otherwise
9 required to be assisted with project-based
10 assistance under subparagraph (A) or (B)
11 that is at least equivalent to the units oth-
12 erwise required to be so assisted; and

13 “(ii) upon disposition of the project,
14 low-income families residing in units other-
15 wise required to be assisted with project-
16 based assistance under subparagraph (A)
17 or (B) receive tenant-based assistance
18 under such section 8.

19 “(D) UNSUBSIDIZED PROJECTS.—Notwith-
20 standing actions taken pursuant to subpara-
21 graph (C), in the case of unsubsidized projects,
22 the contract shall be sufficient to provide—

23 “(i) project-based rental assistance for
24 all units that are covered, or were covered

1 immediately before foreclosure or acquisition,
2 by an assistance contract under—

3 “(I) the new construction and
4 substantial rehabilitation program
5 under section 8(b)(2) of the United
6 States Housing Act of 1937 (as in ef-
7 fect before October 1, 1983);

8 “(II) the property disposition
9 program under section 8(b) of such
10 Act;

11 “(III) the project-based certifi-
12 cate program under section 8 of such
13 Act;

14 “(IV) the moderate rehabilitation
15 program under section 8(e)(2) of such
16 Act;

17 “(V) section 23 of such Act (as
18 in effect before January 1, 1975);

19 “(VI) the rent supplement pro-
20 gram under section 101 of the Hous-
21 ing and Urban Development Act of
22 1965; or

23 “(VII) section 8 of the United
24 States Housing Act of 1937, following
25 conversion from assistance under sec-

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1 tion 101 of the Housing and Urban
2 Development Act of 1965; and

3 “(ii) tenant-based assistance under
4 section 8 of the United States Housing Act
5 of 1937 for families that are preexisting
6 tenants of the project in units that, imme-
7 diately before foreclosure or acquisition of
8 the project by the Secretary, were covered
9 by an assistance contract under the loan
10 management set-aside program under sec-
11 tion 8(b) of the United States Housing Act
12 of 1937 at such time.

13 “(2) ANNUAL CONTRIBUTION CONTRACTS FOR
14 TENANT-BASED ASSISTANCE.—In the case of multi-
15 family housing projects that are acquired by a pur-
16 chaser other than the Secretary at foreclosure or
17 after sale by the Secretary, the Secretary may enter
18 into annual contribution contracts with public hous-
19 ing agencies to provide tenant-based assistance
20 under section 8 of the United States Housing Act of
21 1937 on behalf of all low-income families who, on
22 the date that the project is acquired by the pur-
23 chaser, reside in the project and are eligible for such
24 assistance, subject to the following requirements:

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1 “(A) REQUIREMENT OF SUFFICIENT AF-
2 FORDABLE HOUSING IN AREA.—The Secretary
3 may not take action under this paragraph un-
4 less the Secretary determines that there is
5 available in the area an adequate supply of hab-
6 itable, affordable housing for very low-income
7 families and other low-income families.

8 “(B) LIMITATION FOR SUBSIDIZED AND
9 FORMERLY SUBSIDIZED PROJECTS.—The Sec-
10 retary may not take actions under this para-
11 graph in connection with units in subsidized or
12 formerly subsidized projects for more than 10
13 percent of the aggregate number of units in
14 such projects disposed of by the Secretary an-
15 nually.

16 “(C) PROVISION OF PROJECT-BASED AS-
17 SISTANCE UNDER CHANGED CIRCUMSTANCES.—
18 The Secretary shall, to the extent such amounts
19 are available, provide project-based assistance
20 under section 8 of the United States Housing
21 Act of 1937 for any units in a project for which
22 the Secretary has provided tenant-based assist-
23 ance under this paragraph if, and only to the
24 extent that, the owner demonstrates to the sat-
25 isfaction of the Secretary within 24 months

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1 after the date of acquisition by the owner
2 that—

3 “(i) the provision of such project-
4 based assistance (I) is necessary to main-
5 tain the financial viability of the project
6 because of changes occurring after such
7 acquisition that are beyond the control of
8 the owner, and (II) may reasonably be ex-
9 pected to maintain such financial viability;
10 or

11 “(ii) sufficient habitable, affordable
12 housing for very low-income families and
13 other low-income families is not available
14 in the market area in which the project is
15 located.

16 Assistance provided pursuant to this subpara-
17 graph shall have a term of not more than 5
18 years.

19 “(3) OTHER ASSISTANCE.—

20 “(A) IN GENERAL.—In accordance with
21 the authority provided under the National
22 Housing Act, the Secretary may reduce the sell-
23 ing price, apply use or rent restrictions on cer-
24 tain units, or provide other financial assistance
25 to the owners of multifamily housing projects

1 that are acquired by a purchaser other than the
2 Secretary at foreclosure, or after sale by the
3 Secretary, on terms that ensure that—

4 “(i) at least the units in the project
5 otherwise required to receive project-based
6 assistance pursuant to subparagraphs (A),
7 (B), or (D) of paragraph (1) are available
8 to and affordable by low-income persons;
9 and

10 “(ii) for the remaining useful life of
11 the project, as defined by the Secretary,
12 there shall be in force such use or rent re-
13 strictions as the Secretary may prescribe.

14 “(B) **VERY LOW-INCOME TENANTS.**—If, as
15 a result of actions taken pursuant to this para-
16 graph, the rents charged to any very low-income
17 families residing in the project who are other-
18 wise required (pursuant to subparagraph (A),
19 (B), or (D) of paragraph (1)) to receive project-
20 based assistance under section 8 of the United
21 States Housing Act of 1937 exceed the amount
22 payable as rent under section 3(a) of the Unit-
23 ed States Housing Act of 1937, the Secretary
24 shall provide assistance under section 8 of such
25 Act to such families.

1 “(4) TRANSFER FOR USE UNDER OTHER PRO-
2 GRAMS OF SECRETARY.—

3 “(A) IN GENERAL.—The Secretary may
4 transfer a multifamily housing project—

5 “(i) to a public housing agency for use
6 of the project as public housing; or

7 “(ii) to an entity eligible to own or op-
8 erate housing under assisted section 202 of
9 the Housing Act of 1959 or under section
10 811 of the Cranston-Gonzalez National Af-
11 fordable Housing Act for use as supportive
12 housing under either of such sections.

13 “(B) REQUIREMENTS FOR AGREEMENT.—
14 An agreement providing for the transfer of a
15 project described in subparagraph (A) shall—

16 “(i) contain such terms, conditions,
17 and limitations as the Secretary deter-
18 mines appropriate, including requirements
19 to ensure use of the project as public hous-
20 ing, supportive housing under section 202
21 of the Housing Act of 1959, or supportive
22 housing under section 811 of the Cran-
23 ston-Gonzalez National Affordable Housing
24 Act, as applicable; and

1 “(ii) ensure that no tenant of the
2 project will be displaced as a result of ac-
3 tions taken under this paragraph.

4 “(f) DISCRETIONARY ASSISTANCE.—In addition to
5 the actions taken under subsection (e) for a multifamily
6 housing project, the Secretary may take any of the follow-
7 ing actions:

8 “(1) SHORT-TERM LOANS.—The Secretary may
9 provide a short-term loan to facilitate the sale of a
10 multifamily housing project to a nonprofit organiza-
11 tion or a public agency if—

12 “(A) authority for such loans is provided
13 in advance in an appropriation Act;

14 “(B) such loan has a term of not more
15 than 5 years;

16 “(C) the Secretary determines, based upon
17 documentation provided to the Secretary, that
18 the borrower has obtained a commitment of
19 permanent financing to replace the short-term
20 loan from a lender who meets standards estab-
21 lished by the Secretary; and

22 “(D) the terms of such loan is consistent
23 with prevailing practices in the marketplace or
24 the provision of such loan results in no cost to

1 the Government, as defined in section 502 of
2 the Congressional Budget Act of 1974.

3 “(2) TENANT-BASED ASSISTANCE.—The Sec-
4 retary may make available tenant-based assistance
5 under section 8 of the United States Housing Act of
6 1937 to very low-income families residing in a multi-
7 family housing project that do not otherwise qualify
8 for project-based assistance.

9 “(3) ALTERNATIVE USES.—

10 “(A) IN GENERAL.—Notwithstanding any
11 other provision of law, after providing notice to
12 and an opportunity to comment by existing ten-
13 ants, the Secretary may allow not more than—

14 “(i) 10 percent of the total number of
15 units in multifamily housing projects that
16 are disposed of by the Secretary during
17 any 1-year period to be made available for
18 uses other than rental or cooperative uses,
19 including low-income homeownership op-
20 portunities, or in any particular project,
21 community space, office space for tenant
22 or housing-related service providers or se-
23 curity programs, or small business uses, if
24 such uses benefit the tenants of the
25 project; and

1 “(ii) 5 percent of the total number of
2 units in multifamily housing projects that
3 are disposed of by the Secretary during
4 any 1-year period to be used in any man-
5 ner, if the Secretary and the unit of gen-
6 eral local government or area-wide govern-
7 ing body determine that such use will fur-
8 ther fair housing, community development,
9 or neighborhood revitalization goals.

10 “(B) DISPLACEMENT PROTECTION.—The
11 Secretary may take actions under subparagraph
12 (A) only if—

13 “(i) tenant-based rental assistance
14 under section 8 of the United States Hous-
15 ing Act of 1937 is made available to each
16 eligible family residing in the project that
17 is displaced as a result of such actions; and

18 “(ii) the Secretary determines that
19 sufficient habitable, affordable rental hous-
20 ing is available in the market area in which
21 the project is located to allow use of such
22 assistance.

23 “(g) REQUIRED ASSISTANCE FOR CERTAIN
24 PROJECTS.—In disposing under this section of multifam-

1 ily housing projects, the Secretary shall, to the extent that
2 such assistance is available—

3 “(1) in the case of any project located in a mar-
4 ket area in which habitable, affordable rental hous-
5 ing for very low-income families is not sufficiently
6 available, provide tenant-based or project-based rent-
7 al assistance under section 8 of the United States
8 Housing Act of 1937 (depending on the cir-
9 cumstances of the family) to very low-income fami-
10 lies who are preexisting tenants of the project and
11 do not otherwise qualify for project-based assistance;
12 and

13 “(2) provide project-based assistance for very
14 low-income families who are preexisting tenants of
15 the project to the extent that such assistance is nec-
16 essary to maintain the financial viability of the
17 project and is reasonably expected to maintain such
18 financial viability.

19 “(h) RENT RESTRICTIONS.—

20 “(1) AUTHORITY FOR USE IN UNSUBSIDIZED
21 PROJECTS.—In carrying out the goals specified in
22 subsection (a), the Secretary may require certain
23 units in unsubsidized projects to be subject to use or
24 rent restrictions providing that such units will be
25 available to and affordable by very low-income per-

1 sons for the remaining useful life of the property, as
2 defined by the Secretary.

3 “(2) REQUIREMENT REGARDING SUBSIDIZED
4 AND FORMERLY SUBSIDIZED PROJECTS.—In dispos-
5 ing under this section of any subsidized or formerly
6 subsidized multifamily housing project, the Secretary
7 shall require rent restrictions providing that any un-
8 assisted very low-income family who resides in a unit
9 in the project on the date of disposition may not pay
10 as rent for the unit an amount in excess of 30 per-
11 cent of the adjusted income of the family at any
12 time during the period beginning upon such disposi-
13 tion and ending upon the earlier of—

14 “(A) 15 years after such disposition; or

15 “(B) the time at which the family first
16 fails to qualify as a very low-income family.

17 “(3) REQUIREMENT REGARDING UNSUBSIDIZED
18 PROJECTS.—Unless the Secretary determines that
19 the applicability of rent restrictions under this para-
20 graph to a project would unreasonably impede the
21 disposition of the project, in disposing under this
22 section of any unsubsidized multifamily housing
23 project the Secretary shall require rent restrictions
24 providing that any unassisted very low-income family
25 who resides in a unit in the project on the date of

1 disposition may not pay as rent for the unit an
2 amount in excess of 30 percent of the adjusted in-
3 come of the family at any time during the period be-
4 ginning upon such disposition and ending upon the
5 earlier of—

6 “(A) 15 years after such disposition; or
7 “(B) the time at which the family first
8 fails to qualify as a very low-income family.

9 “(4) PHASE-IN OF RENT INCREASES.—If the
10 disposition under this section of any multifamily
11 housing project results in any rent increases for any
12 very low-income families who are preexisting tenants
13 of the project and are paying less than 30 percent
14 of the adjusted income of the family for rent, the
15 Secretary shall provide that such rent increases shall
16 be phased in equally over a period of not less than
17 3 years.

18 “(5) DEFINITION OF ‘UNASSISTED VERY LOW-
19 INCOME FAMILY’.—For purposes of this subsection,
20 the term ‘unassisted very low-income family’ means
21 a very low-income family who resides in a unit that
22 is not assisted with project-based assistance under
23 section 8 of the United States Housing Act of 1937
24 and on whose behalf tenant-based assistance under
25 such section is not provided.

1 "(i) CONTRACT REQUIREMENTS.—Contracts for
2 project-based rental assistance under section 8 of the
3 United States Housing Act of 1937 provided pursuant to
4 this section shall be subject to the following requirements:

5 "(1) CONTRACT TERM.—The contract shall
6 have a term of 15 years, except that—

7 "(A) the term may be less than 15 years
8 to the extent that the Secretary finds that,
9 based on the rental charges and financing for
10 the multifamily housing project to which the
11 contract relates, the financial viability of the
12 project can be maintained under a contract hav-
13 ing such a term;

14 "(B) to the extent that units receive
15 project-based assistance for a contract term of
16 less than 15 years, the Secretary shall require
17 that the amount of rent payable by tenants of
18 the project for such units shall not exceed the
19 amount payable for rent under section 3(a) of
20 the United States Housing Act of 1937 for a
21 period of at least 15 years; and

22 "(C) the term may be less than 15 years
23 if such assistance is provided—

1 “(i) under a contract authorized
2 under section 6 of the HUD Demonstra-
3 tion Act of 1993; and

4 “(ii) pursuant to a disposition plan
5 under this section for a project that is de-
6 termined by the Secretary to be otherwise
7 in compliance with this section.

8 “(2) CONTRACT RENT.—

9 “(A) IN GENERAL.—The Secretary shall
10 establish contract rents for section 8 project-
11 based rental contracts issued under this section
12 at levels that provide sufficient amounts for the
13 necessary costs of rehabilitating and operating
14 the multifamily housing project and do not ex-
15 ceed 144 percent of the existing housing fair
16 market rentals for the market area in which the
17 project assisted under the contract is located.

18 “(B) UP-FRONT GRANTS AND LOANS.—If
19 the Secretary determines that action under this
20 subparagraph is more cost-effective, the Sec-
21 retary may utilize the budget authority provided
22 for contracts issued under this section for
23 project-based assistance under section 8 of the
24 United States Housing Act of 1937 to (in addi-

1 tion to providing project-based section 8 rental
2 assistance)—

3 “(i) provide up-front grants to non-
4 profit organizations or public housing
5 agencies for the necessary cost of rehabilita-
6 tion; or

7 “(ii) pay any cost to the Government,
8 as defined in section 502 of the Congres-
9 sional Budget Act of 1974, for loans made
10 pursuant to subsection (f)(1).

11 “(j) DISPOSITION PLAN.—

12 “(1) IN GENERAL.—Prior to the sale of a mul-
13 tifamily housing project that is owned by the Sec-
14 retary, the Secretary shall develop an initial disposi-
15 tion plan for the project that specifies the minimum
16 terms and conditions of the Secretary for disposition
17 of the project, the initial sales price that is accept-
18 able to the Secretary, and the assistance that the
19 Secretary plans to make available to a prospective
20 purchaser in accordance with this section. The initial
21 sales price shall be reasonably related to the in-
22 tended use of the property after sale, any rehabili-
23 tation requirements for the project, the rents for units
24 in the project that can be supported by the market,
25 the amount of rental assistance available for the

1 project under section 8 of the United States Housing
2 Act of 1937, and the occupancy profile of the
3 project.

4 “(2) COMMUNITY AND TENANT INPUT.—In carrying out this section, the Secretary shall develop
5 procedures—

6 “(A) to obtain appropriate and timely input into disposition plans from officials of the unit of general local government affected, the community in which the project is situated, and the tenants of the project; and

7 “(B) to facilitate, where feasible and appropriate, the sale of multifamily housing projects to existing tenant organizations with demonstrated capacity, to public or nonprofit entities that represent or are affiliated with existing tenant organizations, or to other public or nonprofit entities.

8 “(3) TECHNICAL ASSISTANCE.—To carry out the procedures developed under paragraph (2), the Secretary may provide technical assistance, directly or indirectly, and may use amounts available for technical assistance under the Emergency Low Income Housing Preservation Act of 1987, subtitle C of the Low-Income Housing Preservation and Resi-

1 dent Homeownership Act of 1990, subtitle B of title
2 IV of the Cranston-Gonzalez National Affordable
3 Housing Act, or this section, for the provision of
4 technical assistance under this paragraph. Recipients
5 of technical assistance funding under the provisions
6 referred to in this paragraph shall be permitted to
7 provide technical assistance to the extent of such
8 funding under any of such provisions or under this
9 paragraph, notwithstanding the source of the fund-
10 ing.

11 “(k) RIGHT OF FIRST REFUSAL FOR LOCAL AND
12 STATE GOVERNMENT AGENCIES.—

13 “(1) NOTIFICATION OF ACQUISITION OF
14 TITLE.—Not later than 30 days after acquiring title
15 to a multifamily housing project, the Secretary shall
16 notify the unit of general local government (which,
17 for purposes of this subsection, shall include any
18 public housing agency) for the area in which the
19 project is located and the State agency or agencies
20 designated by the Governor of the State in which the
21 project is located of such acquisition.

22 “(2) RIGIIT OF FIRST REFUSAL.—During the
23 period beginning upon acquisition of title to a multi-
24 family housing project and ending 45 days after
25 completion of notification under paragraph (1), the

1 Secretary may offer to sell and may sell the project
2 only to the unit of general local government or the
3 designated State agency.

4 “(3) EXPRESSION OF INTEREST.—The unit of
5 general local government or designated State agency
6 may submit to the Secretary a preliminary expres-
7 sion of interest in a project not later than 45 days
8 after receiving notification from the Secretary under
9 paragraph (1) regarding the project. The Secretary
10 may take such actions as may be necessary to re-
11 quire the unit of general local government or des-
12 ignated State agency to substantiate such interest.

13 “(4) TIMELY EXPRESSION OF INTEREST.—If
14 the unit of general local government or designated
15 State agency has submitted an expression of interest
16 in a project before the expiration of the 45-day pe-
17 riod referred to in paragraph (3) and has substanc-
18 tiated such interest if requested, the Secretary, upon
19 approval of a disposition plan for the project, shall—

20 “(A) notify the unit of general local gov-
21 ernment and designated State agency of the
22 terms and conditions of the disposition plan;
23 and

24 “(B) provide that, for 90 days after the
25 date of such notification, only the unit of gen-

1 eral local government or designated State agen-
2 cy may make an offer to purchase the project.

3 “(5) FAILURE TO TIMELY EXPRESS INTER-
4 EST.—If the unit of general local government or des-
5 ignated State agency does not timely express and, if
6 requested, substantiate interest in a project as pro-
7 vided in paragraph (4), the Secretary may offer the
8 project for sale to any interested person or entity
9 upon approval of the disposition plan for the project.

10 “(6) ACCEPTANCE OF OFFERS.—If the unit of
11 general local government or designated State agency
12 timely expresses and, if requested, substantiates in-
13 terest in a project as provided in paragraph (4), the
14 Secretary shall accept an offer made by the unit of
15 general local government or designated State agency
16 during the 90-day period for the project under para-
17 graph (4)(B) that complies with the terms and con-
18 ditions of the disposition plan for the project. The
19 Secretary may accept an offer that does not comply
20 with the terms and conditions of the disposition plan
21 if the Secretary determines that the offer will fur-
22 ther the goals specified in subsection (a) by actions
23 that include extension of the duration of low-income
24 affordability restrictions or otherwise restructuring
25 the transaction in a manner that enhances the long-

1 term affordability for low-income persons. The Sec-
2 retary may reduce the initial sales price in exchange
3 for the extension of low-income affordability restric-
4 tions beyond the period of assistance contemplated
5 by the attachment of assistance pursuant to sub-
6 section (i)(1) and in order to facilitate affordable
7 rents.

8 “(7) FAILURE TO SELL TO LOCAL OR STATE
9 GOVERNMENT AGENCY.—If the Secretary and the
10 unit of general local government or designated State
11 agency cannot reach agreement on an offer for pur-
12 chase of a project within the 90-day period for the
13 project under paragraph (4)(B), the Secretary may
14 offer the project for sale to the general public.

15 “(8) PURCHASE BY UNIT OF GENERAL LOCAL
16 GOVERNMENT OR DESIGNATED STATE AGENCY.—
17 Notwithstanding any other provision of law, a unit
18 of general local government (including a public hous-
19 ing agency) or designated State agency may pur-
20 chase a subsidized or formerly subsidized project in
21 accordance with this subsection.

22 “(9) APPLICABILITY.—This subsection shall
23 apply to projects that are acquired on or after the
24 effective date of this subsection. With respect to

1 projects acquired before such effective date, the Sec-
2 retary may apply—

3 “(A) the requirements of paragraphs (2)
4 and (3) of section 203(e) (as in effect imme-
5 diately before the effective date of this sub-
6 section); or

7 “(B) the requirements of paragraphs (1)
8 through (7) of this subsection, if—

9 “(i) the Secretary gives the unit of
10 general local government or designated
11 State agency 45 days to express interest in
12 the project; and

13 “(ii) the unit of general local govern-
14 ment or designated State agency expresses
15 interest in the project before the expiration
16 of the 45-day period, and substantiates
17 such interest if requested, within 90 days
18 from the date of notification of the terms
19 and conditions of the disposition plan to
20 make an offer to purchase the project.

21 “(10) TRANSFER BY LOCAL OR STATE GOVERN-
22 MENT AGENCY PURCHASERS.—The Secretary shall
23 permit units of general local government and des-
24 ignated State agencies to transfer multifamily hous-
25 ing projects acquired under the right of first refusal

1 under this subsection to a private entity, but only if
2 the local government or State agency clearly identi-
3 fies its intention to transfer the project in the offer
4 to purchase the property accepted by the Secretary
5 under this subsection.

6 **(l) DISPLACEMENT OF TENANTS AND RELOCATION**
7 **ASSISTANCE.—**

8 **(1) IN GENERAL.**—Whenever tenants will be
9 displaced as a result of the disposition of, or repairs
10 to, a multifamily housing project that is owned by
11 the Secretary (or for which the Secretary is mortga-
12 ge in possession), the Secretary shall identify ten-
13 ants who will be displaced and shall notify all such
14 tenants of their pending displacement and of any re-
15 location assistance that may be available. In the case
16 of the disposition of tenants of a multifamily hous-
17 ing project that is not owned by the Secretary (and
18 for which the Secretary is not mortgagee in posses-
19 sion), the Secretary shall require the owner of the
20 project to carry out the requirements of this para-
21 graph.

22 **(2) RIGHTS OF DISPLACED TENANTS.**—The
23 Secretary shall ensure for any such tenant (who con-
24 tinues to meet applicable qualification standards)
25 the right—

1 “(A) to return, whenever possible, to a re-
2 paired unit;

3 “(B) to occupy a unit in another multifam-
4 ily housing project owned by the Secretary;

5 “(C) to obtain housing assistance under
6 the United States Housing Act of 1937; or

7 “(D) to receive any other available reloca-
8 tion assistance as the Secretary determines to
9 be appropriate.

10 “(m) MORTGAGE AND PROJECT SALES.—

11 “(1) IN GENERAL.—The Secretary may not ap-
12 prove the sale of any loan or mortgage held by the
13 Secretary (including any loan or mortgage owned by
14 the Government National Mortgage Association) on
15 any subsidized project or formerly subsidized
16 project, unless such sale is made as part of a trans-
17 action that will ensure that such project will con-
18 tinue to operate at least until the maturity date of
19 such loan or mortgage, in a manner that will provide
20 rental housing on terms at least as advantageous to
21 existing and future tenants as the terms required by
22 the program under which the loan or mortgage was
23 made or insured prior to the assignment of the loan
24 or mortgage on such project to the Secretary.

1 “(2) SALE OF CERTAIN PROJECTS.—The Sec-
2 retary may not approve the sale of any subsidized
3 project—

4 “(A) that is subject to a mortgage held by
5 the Secretary, or

6 “(B) if the sale transaction involves the
7 provision of any additional subsidy funds by the
8 Secretary or a recasting of the mortgage,

9 unless such sale is made as part of a transaction
10 that will ensure that the project will continue to op-
11 erate, at least until the maturity date of the loan or
12 mortgage, in a manner that will provide rental hous-
13 ing on terms at least as advantageous to existing
14 and future tenants as the terms required by the pro-
15 gram under which the loan or mortgage was made
16 or insured prior to the proposed sale of the project.

17 “(3) MORTGAGE SALES TO STATE AND LOCAL
18 GOVERNMENTS.—Notwithstanding any provision of
19 law that requires competitive sales or bidding, the
20 Secretary may carry out negotiated sales of sub-
21 sidized or formerly subsidized mortgages held by the
22 Secretary, without the competitive selection of pur-
23 chasers or intermediaries, to units of general local
24 government or State agencies, or groups of investors
25 that include at least one such unit of general local

1 government or State agency, if the negotiations are
2 conducted with such agencies, except that—

3 “(A) the terms of any such sale shall in-
4 clude the agreement of the purchasing agency
5 or unit of local government or State agency to
6 act as mortgagee or owner of a beneficial inter-
7 est in such mortgages, in a manner consistent
8 with maintaining the projects that are subject
9 to such mortgages for occupancy by the general
10 tenant group intended to be served by the appli-
11 cable mortgage insurance program, including,
12 to the extent the Secretary determines appro-
13 priate, authorizing such unit of local govern-
14 ment or State agency to enforce the provisions
15 of any regulatory agreement or other program
16 requirements applicable to the related projects;
17 and

18 “(B) the sales prices for such mortgages
19 shall be, in the determination of the Secretary,
20 the best prices that may be obtained for such
21 mortgages from a unit of general local govern-
22 ment or State agency, consistent with the ex-
23 pectation and intention that the projects fi-
24 nanced will be retained for use under the appli-

1 cable mortgage insurance program for the life
2 of the initial mortgage insurance contract.

3 “(4) SALE OF MORTGAGES COVERING
4 UNSUBSIDIZED PROJECTS.—Notwithstanding any
5 other provision of law, the Secretary may sell mort-
6 gages held on unsubsidized projects on such terms
7 and conditions as the Secretary may prescribe.

8 “(n) REPORT TO CONGRESS.—Not later than June
9 1 of each year, the Secretary shall submit to the Congress
10 a report describing the status of multifamily housing
11 projects owned by or subject to mortgages held by the Sec-
12 retary. The report shall include—

13 “(1) the name, address, and size of each
14 project;

15 “(2) the nature and date of assignment of each
16 project;

17 “(3) the status of the mortgage for each
18 project;

19 “(4) the physical condition of each project;

20 “(5) for each subsidized or formerly subsidized
21 project, an occupancy profile of the project, stating
22 the income, family size, race, and ethnic origin of
23 current residents and the rents paid by such resi-
24 dents;

1 “(6) the proportion of units in each project that
2 are vacant;

3 “(7) the date on which the Secretary became
4 mortgagee in possession of each project, if applica-
5 ble;

6 “(8) the date and conditions of any foreclosure
7 sale for a project;

8 “(9) the date of acquisition of each project by
9 the Secretary, if applicable;

10 “(10) the date and conditions of any property
11 disposition sale for a project;

12 “(11) a description of actions undertaken pur-
13 suant to this section, including a description of the
14 effectiveness of such actions and any impediments to
15 the disposition or management of multifamily hous-
16 ing projects;

17 “(12) a description of any of the functions per-
18 formed in connection with this section that are con-
19 tracted out to public or private entities or to States;
20 and

21 “(13) a description of the activities carried out
22 under subsection (k) during the preceding year.”.

23 (c) CLARIFICATION OF FEDERAL PREFERENCES.—

24 (1) PUBLIC HOUSING TENANCY.—Section
25 6(c)(4)(A)(i) of the United States Housing Act of

1 1937 (42 U.S.C. 1437d(c)(4)(A)(i)) is amended by
2 inserting after "displaced" the following: "(including
3 displacement because of disposition of a multifamily
4 housing project under section 203 of the Housing
5 and Community Development Amendments of
6 1978)".

15 (d) DEFINITION OF OWNER.—Section 8(f)(1) of the
16 United States Housing Act of 1937 (42 U.S.C.
17 1437f(f)(1)) is amended by inserting “an agency of the
18 Federal Government,” after “cooperative.”.

19 (e) AMENDMENT TO NATIONAL HOUSING ACT.—
20 Title V of the National Housing Act (12 U.S.C. 1731a
21 et seq.) is amended by adding at the end the following
22 new section:

**"PARTIAL PAYMENT OF CLAIMS ON MULTIFAMILY
HOUSING PROJECTS**

25 "SEC. 541. (a) AUTHORITY.—Notwithstanding any
26 other provision of law, if the Secretary is requested to ac-

1 cept assignment of a mortgage insured by the Secretary
2 that covers a multifamily housing project (as such term
3 is defined in section 203(b) of the Housing and Commu-
4 nity Development Amendments of 1978) and the Sec-
5 retary determines that partial payment would be less cost-
6 ly to the Federal Government than other reasonable alter-
7 natives for maintaining the low-income character of the
8 project, the Secretary may request the mortgagee, in lieu
9 of assignment, to—

10 “(1) accept partial payment of the claim under
11 the mortgage insurance contract; and

12 “(2) recast the mortgage, under such terms and
13 conditions as the Secretary may determine.

14 “(b) REPAYMENT.—As a condition to a partial claim
15 payment under this section, the mortgagor shall agree to
16 repay to the Secretary the amount of such payment and
17 such obligation shall be secured by a second mortgage on
18 the property on such terms and conditions as the Sec-
19 retary may determine.”.

20 (f) EFFECTIVE DATE.—The Secretary shall issue in-
21 terim regulations necessary to implement the amendments
22 made by subsections (b) through (d) not later than 90
23 days after the date of the enactment of this Act. Such
24 interim regulations shall take effect upon issuance and in-
25 vite public comment on the interim regulations. The Sec-

1 retary shall issue final regulations to implement such
2 amendments after opportunity for such public comment,
3 but not later than 12 months after the date of issuance
4 of such interim regulations.

5 **SEC. 6002. SECTION 235 MORTGAGE REFINANCING.**

6 Section 235(r) of the National Housing Act is
7 amended—

8 (1) in paragraph (2)(C), by inserting after “re-
9 fined” the following: “, plus the costs incurred in
10 connection with the refinancing as described in para-
11 graph (4)(B) to the extent that the amount for those
12 costs is not otherwise included in the interest rate
13 as permitted by subparagraph (E) or paid by the
14 Secretary as authorized by paragraph (4)(B)”;

15 (2) in paragraph (4)—

16 (A) in the matter preceding subparagraph
17 (A), by inserting after “otherwise” the follow-
18 ing: “and the mortgagee (with respect to the
19 amount described in subparagraph (A))”; and

20 (B) in subparagraph (A), by inserting after
21 “mortgagor” the following: “and the mortga-
22 gee”; and

23 (3) by amending paragraph (5) to read as fol-
24 lows:

1 “(5) The Secretary shall use amounts of budget au-
2 thority recaptured from assistance payments contracts re-
3 lating to mortgages that are being refinanced for assist-
4 ance payments contracts with respect to mortgages in-
5 sured under this subsection. The Secretary may also make
6 such recaptured amounts available for incentives under
7 paragraph (4)(A) and the costs incurred in connection
8 with the refinancing under paragraph (4)(B). For pur-
9 poses of subsection (c)(3)(A), the amount of recaptured
10 budget authority that the Secretary commits for assist-
11 ance payments contracts relating to mortgages insured
12 under this subsection and for amounts paid under para-
13 graph (4) shall not be construed as unused.”.

14 **SEC. 6003. USE OF EMERGENCY ASSISTANCE FUNDS FOR**
15 **RESIDENCY IN MULTIFAMILY HOUSING DIS-**
16 **POSITION PROJECTS.**

17 Section 203(f) of the Housing and Community Devel-
18 opment Amendments of 1978 (12 U.S.C. 1701z-11), as
19 amended by section 6001 of this Act, is further amended
20 by adding at the end the following new paragraph:

21 “(4) EMERGENCY ASSISTANCE FUNDS.—The
22 Secretary may make arrangements with State agen-
23 cies and units of general local government of States
24 receiving emergency assistance under part A of title
25 IV of the Social Security Act for the provision of as-

1 sistance under such Act on behalf of eligible families
2 who would reside in any multifamily housing
3 projects.”.

4 **SEC. 6004. ADDITIONAL EMPLOYEES TO FACILITATE DIS-**
5 **POSITION OF FHA INVENTORY PROPERTIES.**

6 Notwithstanding any other provision of law, during
7 fiscal years 1993, 1994, and 1995 amounts in the various
8 funds of the Federal Housing Administration otherwise
9 available to the Secretary of Housing and Urban Develop-
10 ment for non-overhead expenses associated with process-
11 ing, accounting, loan servicing, asset management, and
12 disposition services may be used by the Secretary for per-
13 sonnel compensation and benefits for temporary employees
14 of the Department of Housing and Urban Development
15 employed to manage, service, and dispose of single family
16 and multifamily properties insured by, assigned to, or
17 owned by the Secretary. The Secretary may employ not
18 more than 400 temporary employees at any one time using
19 amounts made available pursuant to this section, no such
20 employee may be employed in a temporary position pursu-
21 ant to this section for a period in excess of 2 years, and
22 such employees shall not be considered for purposes of any
23 personnel ceiling applicable to the Department of Housing
24 and Urban Development or any unit therein or any per-

1 personnel ceiling applicable to temporary employees of the
2 Federal Government.

3 **SEC. 6005. HUD STREAMLINING.**

4 The Secretary of Housing and Urban Development
5 shall carry out the recommendation of the Report of the
6 National Performance Review, issued on September 7,
7 1993, that the Department streamline its headquarters,
8 regional, and field office structure and consolidate and re-
9 duce its size, without regard to the requirements of section
10 7(p) of the Department of Housing and Urban Develop-
11 ment Act.

12 **TITLE VII—DEPARTMENT OF
13 THE INTERIOR**

14 **SEC. 7001. IMPROVEMENT OF MINERALS MANAGEMENT
15 SERVICE ROYALTY COLLECTION.**

16 (a) The Secretary of the Interior shall, by fiscal year
17 1995, direct the Minerals Management Service, Royalty
18 Management Program, to develop and implement (1) an
19 automated business information system to provide to its
20 auditors a lease history that includes reference, royalty,
21 production, financial, compliance history, pricing and valua-
22 tion, and other information; (2) the optimum methods
23 to identify and resolve anomalies and to verify that royal-
24 ties are paid correctly; (3) a more efficient and cost-effic-
25 tive royalty collection process by instituting new compli-

1 ance and enforcement measures, including assessments
2 and penalties for erroneous reporting and underreporting;
3 (4) pilot projects under which a State may assume mineral
4 receipt collections on Federal lands within the State and
5 where the State assumes 50 percent of the cost of such
6 pilot project; and (5) such other actions as may be nec-
7 essary to reducee royalty underpayment and increase reve-
8 nue to the U.S. Treasury by an estimated total of \$28
9 million by fiscal year 1999.

10 (b) The Federal Oil and Gas Royalty Management
11 Act of 1982 (Public Law No. 97-451), 30 U.S.C. 1701
12 et seq.) is amended by adding a new subsection 111(h)
13 as follows:

14 “PENALTY ASSESSMENT FOR SUBSTANTIAL
15 UNDERREPORTING OF ROYALTY”

16 “SEC. 111. (h)(1) If there is any underreporting of
17 royalty owed on production from any lease issued or ad-
18 ministered by the Secretary for the production of oil, gas,
19 coal, any other mineral, or geothermal steam, from any
20 Federal or Indian lands or the Outer Continental Shelf,
21 for any production month, by any person who is respon-
22 sible for paying royalty, the Seeretary may assess a pen-
23 alty of 10 percent of the amount of that underreporting.

24 “(2) If there is a substantial underreporting of roy-
25 alty owed on production from any lease issued or adminis-
26 tered by the Seeretary for the production of oil, gas, coal,

1 any other mineral, or geothermal steam, from any Federal
2 or Indian lands or the Outer Continental Shelf, for any
3 production month, by any person who is responsible for
4 paying royalty, the Secretary may assess a penalty of 20
5 percent of the amount of that substantial underreporting.

6 “(3) For purposes of this section, the term
7 ‘underreporting’ means the difference between the royalty
8 on the value of the production which should have been re-
9 ported and the royalty on the value of the production
10 which was reported, if the value of the production which
11 should have been reported is greater than the value of the
12 production which was reported. An underreporting con-
13 stitutes a ‘substantial underreporting’ if such difference
14 exceeds 10 percent of the royalty on the value of the pro-
15 duction which should have been reported.

16 “(4) The Secretary shall not impose the assessment
17 provided in paragraphs (1) or (2) if the person corrects
18 the underreporting before the date the person receives no-
19 tice from the Secretary that an underreporting may have
20 occurred, or before 90 days after the date of enactment
21 of this section, whichever is later.

22 “(5) The Secretary shall waive any portion of an as-
23 sessment provided in paragraphs (1) or (2) attributable
24 to that portion of the underreporting for which the person
25 demonstrates that—

1 “(i) the person had written authorization from
2 the Secretary to report royalty on the value of the
3 production on the basis on which it was reported, or

4 “(ii) the person had substantial authority for
5 reporting royalty on the value of the production on
6 the basis on which it was reported, or

7 “(iii) the person previously had notified the
8 Secretary, in such manner as the Secretary may by
9 rule prescribe, of relevant reasons or facts affecting
10 the royalty treatment of specific production which
11 led to the underreporting, or

12 “(iv) the person meets any other exception
13 which the Secretary may, by rule, establish.

14 “(6) All penalties collected under this subsection shall
15 be deposited to the same accounts in the Treasury or paid
16 to the same recipients in the same manner as the royalty
17 with respect to which such penalty is paid.”.

18 **SEC. 7002. PHASE OUT OF MINERAL INSTITUTE PROGRAM.**

19 The Secretary of the Interior, beginning in fiscal year
20 1995, shall take action to phase out the Mining and Min-
21 eral Resources Research Institute Act of 1984, Public Law
22 98-409, as amended (98 Stat. 1536 through 1541 and
23 102 Stat. 2339 through 2341, 30 U.S.C. 1221 through
24 1230). There are hereby authorized to be appropriated
25 under the Act the following amounts: fiscal year 1995—

1 \$6.5 million; fiscal year 1996—\$5 million; fiscal year
2 1997—\$3 million; and fiscal year 1998—\$1.5 million. No
3 further appropriations for this Act are authorized after
4 September 30, 1998.

5 **SEC. 7003. REORGANIZATION STUDY OF BUREAU OF INDIAN
6 AFFAIRS.**

7 (a) **GENERAL AUTHORITY.**—The Secretary of the In-
8 terior, with the active participation of Indian tribes, shall
9 conduct a study of the reorganization of the Bureau of
10 Indian Affairs.

11 (b) **CONTENT.**—The study conducted under sub-
12 section (a) shall include (but shall not be limited to)—

13 (1) an examination of the current structure of
14 the Bureau of Indian Affairs and recommendations
15 for structural changes to improve the implementa-
16 tion of Federal trust responsibilities toward Indian
17 tribes;

18 (2) an examination of the current roles of the
19 Central, Area, and Agency offices of the Bureau of
20 Indian Affairs and recommendations to improve effi-
21 ciency of the Bureau through reorganization;

22 (3) an examination of the efficiency of the Bu-
23 reau of Indian Affairs in comparison with other Bu-
24 reaus of the Department of the Interior;

1 (4) an examination of the barriers to the imple-
2 mentation of the 1988 amendments to the Indian
3 Self-Determination and Education Assistance Act
4 throughout the Department of the Interior and a
5 proposed plan for effective implementation; and

6 (5) recommendations for the transfer of person-
7 nel and resources from the Central, Area, and Agen-
8 cy offices of the Bureau of Indian Affairs to Indian
9 tribes.

10 (c) REPORT.—The Secretary shall complete the study
11 conducted pursuant to this section and shall submit such
12 study, together with recommendations and draft legisla-
13 tion to implement such recommendations, to the Congress
14 within one year after the date of enactment of this Act.

15 **SEC. 7004. TERMINATION OF ANNUAL DIRECT GRANT AS-**

16 **SISTANCE**

17 (a) TERMINATION.—Pursuant to section 704(d) of
18 the Covenant to Establish a Commonwealth of the North-
19 ern Mariana Islands in Political Union with the United
20 States of America (48 U.S.C. 1681 note), the annual pay-
21 ments under section 702 of the Covenant shall terminate
22 as of September 30, 1993.

23 (b) REPEAL.—Sections 3 and 4 of the Act of March
24 24, 1976 (Public Law 94-241; 48 U.S.C. 1681 note), as
25 amended, are repealed, effective October 1, 1993.

1 **TITLE VIII—MISCELLANEOUS**
2 **PROVISIONS**

3 **SEC. 8001. LIMITATION ON CERTAIN ANNUAL PAY ADJUST-
4 MENTS.**

5 Effective as of December 31, 1994—

6 (1) section 601(a)(2) of the Legislative Reorga-
7 nization Act of 1946 (2 U.S.C. 31(2)) is amended—

8 (A) by striking “(2) Effective” and insert-
9 ing “(2)(A) Subject to subparagraph (B), effec-
10 tive”; and

11 (B) by adding at the end the following:

12 “(B) In no event shall the percentage adjustment tak-
13 ing effect under subparagraph (A) in any calendar year
14 (before rounding), in any rate of pay, exceed the percent-
15 age adjustment taking effect in such calendar year under
16 section 5303 of title 5, United States Code, in the rates
17 of pay under the General Schedule.”;

18 (2) section 104 of title 3, United States Code,
19 is amended—

20 (A) in the first sentence by inserting “(a)”
21 before “The”;

22 (B) in the second sentence by striking “Ef-
23 fective” and inserting “Subject to subsection
24 (b), effective”; and

25 (C) by adding at the end the following:

1 "(b) In no event shall the percentage adjustment tak-
2 ing effect under the second and third sentences of sub-
3 section (a) in any calendar year (before rounding) exceed
4 the percentage adjustment taking effect in such calendar
5 year under section 5303 of title 5 in the rates of pay under
6 the General Schedule.";

(3) section 5318 of title 5, United States Code,
is amended—

(B) by adding at the end the following:

13 "(b) In no event shall the percentage adjustment tak-
14 ing effect under subsection (a) in any calendar year (be-
15 fore rounding), in any rate of pay, exceed the percentage
16 adjustment taking effect in such calendar year under sec-
17 tion 5303 in the rates of pay under the General Sched-
18 ule."; and

(A) by striking "(a) Effective" and inserting "(a)(1) Subject to paragraph (2), effective";
and

(B) by adding at the end the following:

1 “(2) In no event shall the percentage adjustment tak-
2 ing effect under paragraph (1) in any calendar year (be-
3 fore rounding), in any salary rate, exceed the percentage
4 adjustment taking effect in such calendar year under sec-
5 tion 5303 of title 5 in the rates of pay under the General
6 Schedule.”.

7 **SEC. 8002. REDUCTION OF FEDERAL FULL-TIME EQUIVA-
8 LENT POSITIONS.**

9 (a) **DEFINITION.**—For purposes of this section, the
10 term “agency” means an Executive agency as defined
11 under section 105 of title 5, United States Code, but does
12 not include the General Accounting Office.

13 (b) **LIMITATIONS ON FULL-TIME EQUIVALENT POSI-
14 TIONS.**—The President, through the Office of Manage-
15 ment and Budget (in consultation with the Office of Per-
16 sonnel Management), shall ensure that the total number
17 of full-time equivalent positions in all agencies shall not
18 exceed—

- 19 (1) 2,053,600 during fiscal year 1994;
- 20 (2) 1,999,600 during fiscal year 1995;
- 21 (3) 1,945,600 during fiscal year 1996;
- 22 (4) 1,895,600 during fiscal year 1997; and
- 23 (5) 1,851,600 during fiscal year 1998.

1 (c) MONITORING AND NOTIFICATION.—The Office of
2 Management and Budget, after consultation with the Of-
3 fice of Personnel Management, shall—

4 (1) continuously monitor all agencies and make
5 a determination on the first date of each quarter of
6 each applicable fiscal year of whether the require-
7 ments under subsection (b) are met; and

8 (2) notify the President and the Congress on
9 the first date of each quarter of each applicable fis-
10 cal year of any determination that any requirement
11 of subsection (b) is not met.

12 (d) COMPLIANCE.—If at any time during a fiscal
13 year, the Office of Management and Budget notifies the
14 President and the Congress that any requirement under
15 subsection (b) is not met, no agency may hire any em-
16 ployee for any position in such agency until the Office of
17 Management and Budget notifies the President and the
18 Congress that the total number of full-time equivalent po-
19 sitions for all agencies equals or is less than the applicable
20 number required under subsection (b).

21 (e) WAIVER.—

22 (1) EMERGENCIES.—Any provision of this sec-
23 tion may be waived upon a determination by the
24 President that—

1 (A) the existence of a state of war or other
2 national security concern so requires; or

3 (B) the existence of an extraordinary
4 emergency threatening life, health, safety, prop-
5 erty, or the environment so requires.

6 (2) AGENCY EFFICIENCY OR CRITICAL MIS-
7 SION.—

8 (A) Subsection (d) may be waived, in the
9 case of a particular position or category of posi-
10 tions in an agency, upon a determination of the
11 President that the efficiency of the agency or
12 the performance of a critical agency mission so
13 requires.

14 (B) Whenever the President grants a waiv-
15 er pursuant to subparagraph (A), the President
16 shall take all necessary actions to ensure that
17 the overall limitations set forth in subsection
18 (b) are not exceeded.

19 **TITLE IX—DEPARTMENT OF
20 LABOR**

21 **SEC. 9001. DETERRENCE OF FRAUD AND ABUSE IN FECA
22 PROGRAM.**

23 (a) Section 8102 of title 5, United States Code, is
24 amended to redesignate subsection (b) as subsection (c),
25 and to add the following new subsection (b):

1 "(b) An individual convicted of a violation of 18
2 U.S.C. 1920, as amended, or of any other fraud related
3 to the application for or receipt of benefits under sub-
4 chapter I or III of chapter 81 of title 5, shall forfeit, as
5 of the date of the conviction, all entitlement to any pro-
6 spective benefits provided by subchapter I or III for any
7 injury occurring on or before the date of the conviction.
8 Such a forfeiture of benefits shall be in addition to any
9 action the Secretary may take under section 8106 or 8129
10 of title 5, United States Code.".

11 (b) Section 8116 of title 5, United States Code, is
12 amended by adding the following new subsection (e):

13 "(e) Notwithstanding any other provision of this title,
14 no benefits under sections 8105 or 8106 of this subchapter
15 shall be paid or provided to any individual during any pe-
16 riod during which such individual is confined in a jail,
17 prison, or other penal institution or correctional facility,
18 pursuant to that individual's conviction of an offense that
19 constituted a felony under applicable law, except where
20 such individual has one or more dependents within the
21 meaning of section 8110 of this subchapter, in which case
22 the Secretary may, during the period of incarceration, pay
23 to such dependents a percentage of the benefits that would
24 have been payable to such individual computed according

1 to the percentages set forth in section 8133(a) (1)–(5) of
2 this subchapter.”.

3 (c) Section 8116 of title 5, United States Code, is
4 further amended by adding the following new subsection
5 (f):

6 “(f) Notwithstanding the provisions of section 552a
7 of this title, or any other provision of Federal or State
8 law, any agency of the United States Government or of
9 any State (or political subdivision thereof) shall make
10 available to the Secretary, upon written request, the
11 names and Social Security account numbers of individuals
12 who are confined in a jail, prison or other penal institution
13 or correctional facility under the jurisdiction of such agen-
14 cy, pursuant to such individuals’ conviction of an offense
15 that constituted a felony under applicable law, which the
16 Secretary may require to carry out the provisions of this
17 subsection.”.

18 (d) Section 1920 of title 18, United States Code, is
19 amended to read as follows: “Whoever knowingly and will-
20 fully falsifies, conceals, or covers up a material fact, or
21 makes a false, fictitious, or fraudulent statement or rep-
22 resentation, or makes or uses a false statement or report
23 knowing the same to contain any false, fictitious or fraud-
24 ulent statement or entry in connection with the application
25 for or receipt of compensation or other benefit or payment

1 under subchapter I or III of chapter 81 of title 5, United
2 States Code, shall be punished by a fine of not more than
3 \$250,000, or by imprisonment for not more than five
4 years, or both.”.

5 (e) Except as otherwise provided in this section, the
6 amendments made by this section shall be effective on the
7 date of enactment and shall apply to actions taken on or
8 after the date of enactment both with respect to claims
9 filed before the day of enactment and with respect to
10 claims filed after such date.

11 (f) The amendments made by subsections (a), (b),
12 and (c) of this section shall be effective on the date of
13 enactment and shall apply to any person convicted or im-
14 prisoned on or after the date of enactment.

15 (g) The amendment made by subsection (d) of this
16 section shall be effective on the date of enactment and
17 shall apply to any claim, statement, representation, report,
18 or other written document made or submitted in connec-
19 tion with a claim filed under subchapter I or III of chapter
20 81 of title 5, United States Code.

**21 SEC. 9002. ENHANCEMENT OF REEMPLOYMENT PROGRAMS
22 FOR FEDERAL EMPLOYEES DISABLED IN THE
23 PERFORMANCE OF DUTY.**

24 (a) Section 8104 of title 5, United States Code, is
25 amended—

1 (1) by striking the comma after "employment"
2 and by striking "other than employment undertaken
3 pursuant to such rehabilitation" from subsection (b);
4 and

5 (2) by adding the following new subsection (c):
6 "(c) The Secretary of Labor, as part of the vocational
7 rehabilitation effort, may assist permanently disabled indi-
8 viduals in seeking and/or obtaining employment. The Sec-
9 retary may reimburse an employer (including a Federal
10 employer), who was not the employer at the time of injury
11 and who agrees to employ a disabled beneficiary, for por-
12 tions of the salary paid by such employer to the reem-
13 ployed, disabled beneficiary. Any such sums shall be paid
14 from the Employees' Compensation Fund.".

15 (b) The Secretary of Labor is authorized to expand
16 the Federal Employees' Compensation Act Periodic Roll
17 Management Project to all offices of the Office of Work-
18 ers' Compensation Program of the Department of Labor.

19 (c) The provisions of, and amendments made by, sub-
20 sections (a) and (b) of this section shall be effective on
21 the date of enactment.

22 **SEC. 9003. WAGE DETERMINATIONS.**

23 (a) The McNamara-O'Hara Service Contract Act, as
24 amended (41 U.S.C. 351 et seq.) is amended by adding
25 at the end the following new section:

1 "SEC. 11. To more effectively implement wage deter-
2 mination procedures, the Secretary of Labor is authorized
3 to develop and implement an electronic data interchange
4 system to request and obtain wage determinations re-
5 quired under the Act.".

6 (b) The Davis-Bacon Act, as amended (41 U.S.C.
7 276a et seq.) is amended by adding at the end the follow-
8 ing new section:

9 "SEC. 8. To more effectively implement wage deter-
10 mination procedures, the Secretary of Labor is authorized
11 to develop and implement an electronic data interchange
12 system to request and obtain wage determinations re-
13 quired under the Act.".

14 (c) The amendments made by subsections (a) and (b)
15 of this section shall be effective on the date of enactment.

16 **SEC. 9004. ELIMINATION OF FILING REQUIREMENTS.**

17 (a) Section 101(b) of the Employee Retirement In-
18 come Security Act of 1974 (ERISA) (29 U.S.C. 1021(b))
19 is amended by striking paragraphs (1), (2) and (3) and
20 by redesignating paragraphs (4) and (5) as paragraphs
21 (1) and (2), respectively.

22 (b) Section 102 of ERISA (29 U.S.C. 1022) is
23 amended by striking paragraph (a)(2) and redesignating
24 paragraph (a)(1) as subsection (a).

1 (c) Section 104(a)(1) of ERISA (29 U.S.C.
2 1024(a)(1)) is amended to read as follows:

3 “SEC. 104. (a)(1) The administrator of any employee
4 benefit plan subject to this part shall file with the Sec-
5 retary the annual report for a plan year within 210 days
6 after the close of such year (or within such time as may
7 be required by regulations promulgated by the Secretary
8 in order to reduce duplicative filing). The Secretary shall
9 make copies of such annual reports available for inspection
10 in the public document room of the Department of Labor.
11 The administrator shall also furnish to the Secretary,
12 upon request, any documents relating to the employee ben-
13 efit plan including but not limited to the summary plan
14 description, description of material modifications to the
15 plan, bargaining agreement, trust agreement, contract, or
16 other instrument under which the plan is established or
17 operated.”.

18 (d) Section 104(b) of ERISA (29 U.S.C. 1024(b))
19 is amended by adding at the end the following new para-
20 graph:

21 “(5) The Secretary shall, upon written request
22 of any participant or beneficiary of a plan for a copy
23 of any documents described in paragraph (4), make
24 a written request to the plan administrator for cop-
25 ies of such documents. The plan administrator shall

1 comply with such request from the Secretary. Upon
2 obtaining such copies from the plan administrator,
3 the Secretary shall provide them to the requesting
4 participant or beneficiary. In making a request
5 under this paragraph to the plan administrator, the
6 Secretary shall not disclose to the plan administrator
7 the identity of the participant or beneficiary. The
8 administrator may make a reasonable charge to
9 cover the cost of furnishing such complete copies
10 consistent with any regulations issued by the Sec-
11 retary pursuant to paragraph (4). The Secretary
12 may require the participant or beneficiary to reim-
13 burse the Secretary for such charges before the par-
14 ticipant receives the requested copies.”.

15 (e) Section 106(a) of ERISA (29 U.S.C. 1026(a)) is
16 amended by striking “descriptions.”.

17 (f) Section 107 of ERISA (29 U.S.C. 1027) is
18 amended by striking “description or”.

19 (g) Section 108 of ERISA (29 U.S.C. 1028) is
20 amended by striking “(B) after publishing or filing the
21 plan description, annual reports,” and inserting “(B) after
22 publishing the plan description, or after publishing or fil-
23 ing the annual reports.”.

24 (h) Section 109(b) of ERISA (29 U.S.C. 1029(b))
25 is amended to read as follows:

1 "(b) The financial statement and opinion required to
2 be prepared by an independent qualified public accountant
3 pursuant to section 103(a)(3)(A) and the actuarial state-
4 ment required to be prepared by an enrolled actuary pur-
5 suant to section 103(a)(4)(A) shall not be required to be
6 submitted on forms.".

7 (i) Section 502(c) of ERISA is amended by adding
8 at the end the following new paragraph:

9 "(4) The Secretary may assess a civil penalty
10 against any plan administrator of up to \$100 per
11 day from the date of such plan administrator's fail-
12 ure or refusal to comply with a request for docu-
13 ments which such administrator is required to fur-
14 nish to the Secretary (unless such failure or refusal
15 results from matters reasonably beyond the control
16 of the administrator) pursuant to section 104(b)(5)
17 by mailing the material requested to the address
18 provided by the Secretary within 30 days after such
19 request.".

20 (j) EFFECTIVE DATE.—The provisions of this section
21 shall take effect on the date of enactment of this Act.

1 **TITLE X—DEPARTMENT OF
2 STATE AND UNITED STATES
3 INFORMATION AGENCY**

4 **SEC. 10001. IMPROVEMENT OF EFFICIENCY OF STATE DE-
5 PARTMENT ACTIVITIES.**

6 The Secretary of State shall take action to improve
7 the efficiency of the activities of the Department of State
8 and save a total of \$5,700,000 by the end of fiscal year
9 1999.

10 **SEC. 10002. IMPROVEMENT OF EFFICIENCY OF USIA PUB-
11 LIC DIPLOMACY ACTIVITIES.**

12 The Director of the United States Information Agency
13 (USIA) shall take action to improve the efficiency of
14 USIA's public diplomacy activities and save a total of
15 \$15,000,000 by the end of fiscal year 1999.

16 **TITLE XI—DEPARTMENT OF
17 TRANSPORTATION**

18 **SEC. 11001. REEMPLOYMENT RIGHTS FOR CERTAIN MER-
19 CHANT SEAMEN.**

20 (a) IN GENERAL.—Title III of the Merchant Marine
21 Act, 1936 (46 App. U.S.C. 1131) is amended by inserting
22 after section 301 the following new section:

23 “SEC. 302. (a) An individual who is certified by the
24 Secretary of Transportation under subsection (c) shall be
25 entitled to reemployment rights and other benefits sub-

1 stantially equivalent to the rights and benefits provided
2 for by chapter 43 of title 38, United States Code, for any
3 member of a Reserve component of the Armed Forces of
4 the United States who is ordered to active duty.

5 “(b) An individual may submit an application for cer-
6 tification under subsection (c) to the Secretary of Trans-
7 portation not later than 45 days after the date the individ-
8 ual completes a period of employment described in sub-
9 section (c)(1)(A) with respect to which the application is
10 submitted.

11 “(c) Not later than 20 days after the date the Sec-
12 retary of Transportation receives from an individual an
13 application for certification under this subsection, the Sec-
14 retary shall—

15 “(1) determine whether or not the individual—
16 “(A) was employed in the activation or op-
17 eration of a vessel—

18 “(i) in the National Defense Reserve
19 Fleet maintained under section 11 of the
20 Merchant Ship Sales Act of 1946, in a pe-
21 riod in which that vessel was in use or
22 being activated for use under subsection
23 (b) of that section;

24 “(ii) that is requisitioned or pur-
25 chased under section 902 of this Act; or

1 “(iii) that is owned, chartered, or con-
2 trolled by the United States and used by
3 the United States for a war, armed con-
4 flict, national emergency, or maritime mo-
5 bilization need (including for training pur-
6 poses or testing for readiness and suit-
7 ability for mission performance); and

8 “(B) during the period of that employ-
9 ment, possessed a valid license, certificate of
10 registry, or merchant mariner's document is-
11 sued under chapter 71 or chapter 73 (as appli-
12 cable) of title 46, United States Code; and

13 “(2) if the Secretary makes affirmative deter-
14 minations under paragraph (1) (A) and (B), certify
15 that individual under this subsection.

16 “(d) For purposes of reemployment rights and bene-
17 fits provided by this section, a certification under sub-
18 section (c) shall be considered to be the equivalent of a
19 certificate referred to in clause (1) of section 4301(a) of
20 title 38, United States Code.”.

21 (b) APPLICATION.—The amendment made by sub-
22 section (a) shall apply to employment described in section
23 302(c)(1)(A) of the Merchant Marine Act, 1936, as
24 amended by subsection (a), occurring after August 2,
25 1990.

(c) EMPLOYMENT ENDING BEFORE ENACTMENT.—

Notwithstanding subsection (b) of section 302 of the Merchant Marine Act, 1936, as amended by this Act, an individual who, in the period beginning August 2, 1990, and ending on the date of the enactment of this Act, completed a period of employment described in subsection (c)(1)(A) of that section may submit an application for certification under subsection (c) of that section with respect to that employment not later than 45 days after the date of the enactment of this Act.

11 (d) REGULATIONS.—Not later than 120 days after
12 the date of the enactment of this Act, the Secretary of
13 Transportation shall issue regulations implementing this
14 section.

15 SEC. 11102. REFORM OF ESSENTIAL AIR SERVICE PRO-

17 Section 419 of the Federal Aviation Act of 1958 (49 U.S.C. App. 1389) is amended—

19 (1) in subsection (a) by striking paragraph (2)
20 and inserting the following:

21 “(2) RESTRICTIONS ON QUALIFICATIONS AS AN
22 ELIGIBLE POINT.—To qualify as an eligible point in
23 the 48 contiguous states, Hawaii, and Puerto Rico
24 for purposes of fiscal year 1995 and thereafter, a
25 point described in paragraph (1) must not require a

1 rate of subsidy per passenger in excess of \$200 un-
2 less such point is more than 210 miles from the
3 nearest large or medium hub airport and may not be
4 located fewer than 70 highway miles from the near-
5 est large or medium hub airport;" and

6 (2) in subsection (l) by striking paragraph (2)
7 and inserting the following:

8 “(2) AMOUNTS AVAILABLE.—There shall be
9 available to the Secretary from the Airport and Air-
10 way Trust Fund to incur obligations under this sec-
11 tion \$33,423,077 per fiscal year for each of fiscal
12 years 1994 through 1999. Such amounts shall re-
13 main available until expended. Unobligated balances
14 that remain available as of September 30, 1994, are
15 rescinded.”.

16 **SEC. 11003. AIRWAY SCIENCE PROGRAM.**

17 (a) REPEAL.—All authority for—

18 (1) the Secretary of Transportation to enter
19 into grant agreements with universities or colleges
20 having an airway science curriculum recognized by
21 the Federal Aviation Administration, to conduct
22 demonstration projects in the development, advance-
23 ment, or expansion of airway science programs; and

24 (2) the Federal Aviation Administration to
25 enter into competitive grant agreements with institu-

1 tions of higher education having airway science cur-
2 ricula, and all authorizations to appropriate for such
3 purposes, as enacted under the head, "Federal Avia-
4 tion Administration, Facilities and Equipment", in
5 the Department of Transportation and Related
6 Agencies Appropriations Acts for fiscal years ending
7 before October 1, 1993;

8 is repealed.

9 (b) LIMITATION.—Subsection (a) shall not affect the
10 authority of the Secretary to enter into grant agreements
11 with universities, colleges, or institutions of higher edu-
12 cation to obligate funds appropriated for fiscal years end-
13 ing before October 1, 1993, which have not been re-
14 scinded.

15 **SEC. 11004. COLLEGATE TRAINING INITIATIVE.**

16 (a) IN GENERAL.—Section 313(d) of the Federal
17 Aviation Act of 1958 (49 U.S.C. App. 1354(d)) is
18 amended—

19 (1) by striking the subsection heading and all
20 that follows through "The Administrator" and in-
21 serting the following:

22 "(d) TRAINING SCHOOLS.—

23 "(1) IN GENERAL.—The Administrator";

24 (2) by moving the text of paragraph (1), as so
25 designated, 2 cms to the right; and

1 (3) by adding at the end the following:

2 “(2) COLLEGIATE TRAINING INITIATIVE.—

3 “(A) CONTINUATION.—The Administrator
4 of the Federal Aviation Administration may
5 continue the Collegiate Training Initiative pro-
6 gram, by entering into new agreements, with
7 post-secondary institutions, as defined by the
8 Administrator, whereby such institutions, with-
9 out cost to the Federal Aviation Administration,
10 prepare students for the position of air traffic
11 controller with the Department of Transpor-
12 tation, as defined in section 2109 of title 5,
13 United States Code.

14 “(B) STANDARDS.—The Administrator
15 may establish standards for the entry of institu-
16 tions into such program and for their continued
17 participation in it.

18 “(C) APPOINTMENT IN EXCEPTED SERV-
19 ICE.—The Administrator may appoint persons
20 who have successfully completed a course of
21 training in such program to the position of air
22 traffic controller noncompetitively in the ex-
23 cepted service, as defined in section 2103 of
24 title 5, United States Code. Persons so ap-
25 pointed shall serve at the pleasure of the Ad-

1 ministrator, subject to section 7511 of such
2 title (pertaining to adverse actions). However,
3 an appointment under this subparagraph may
4 be converted from one in the excepted service to
5 a career conditional or career appointment in
6 the competitive civil service, as defined in sec-
7 tion 2102 of such title when the incumbent
8 achieves full performance level air traffic con-
9 troller status, as determined by the Adminis-
10 trator. The authority conferred by this subpara-
11 graph to make new appointments in the ex-
12 pected service shall expire at the end of 5 years
13 from the date of the enactment of this subpara-
14 graph; except that the Administrator may de-
15 termine to extend such authority for 1 or more
16 successive 1-year periods thereafter.”.

17 (b) CONFORMING AMENDMENT.—Section 362 of the
18 Department of Transportation and Related Agencies Ap-
19 propriations Act, 1993 (106 Stat. 1560) is repealed.

20 (c) LIMITATION.—The repeal and the amendments
21 made by this section shall not prohibit the expenditure of
22 funds appropriated for fiscal years ending before October
23 1, 1994.

1 **TITLE XII—DEPARTMENT OF**
2 **VETERANS AFFAIRS**
3 **Subtitle A—Administrative**
4 **Improvements**

5 **SEC. 12001. ELIMINATION OF HOSPITAL AND NURSING**
6 **HOME BED CAPACITY REQUIREMENTS.**

7 (a) Section 8110(a)(1) of title 38, United States
8 Code, is amended—

9 (1) by striking “at not more than 125,000 and
10 not less than 100,000”; and

11 (2) by striking the third and fourth sentences.

12 (b) Section 8111(a) of such title is amended by strik-
13 ing out “result (1)” and all that follows through “main-
14 tained or”.

15 **SEC. 12002. ELIMINATION OF REQUIREMENT FOR MINIMUM**
16 **NUMBER OF PERSONNEL IN THE OFFICE OF**
17 **INSPECTOR GENERAL.**

18 Subsection (b) of section 312 of title 38, United
19 States Code, is amended to read as follows:

20 “(b) Whenever the Secretary proposes to reduce the
21 authorized number of full-time equivalent employees as-
22 signed to the Office of Inspector General, the Secretary
23 shall submit to the Committees on Veterans’ Affairs of
24 the Senate and House of Representatives a report provid-
25 ing notice of the proposed reduction and a detailed expla-

1 nation for the proposed reduction. No action to carry out
2 the proposed reduction may be taken after the submission
3 of such report until the end of a 45-day period of continu-
4 ous session of Congress (determined in the same manner
5 as specified in the last sentence of section 510(b) of this
6 title) following the date of the submission of the report.”.

7 **SEC. 12003. MODIFICATION OF ADMINISTRATIVE REORGA-
8 NIZATION AUTHORITY.**

9 (a) **MODIFICATION OF REQUIREMENT TO REPORT TO**
10 **CONGRESS.**—Section 510 of title 38, United States Code,
11 is amended by striking out “90-day” both places it ap-
12 pears in subsection (b) and inserting in lieu thereof “45-
13 day”.

14 (b) **AUTHORITY TO REORGANIZE OFFICES IN EVENT**
15 **OF EMERGENCY.**—Such section is further amended by
16 striking out subsection (d) and inserting the following:

17 “(d)(1) The limitation in subsection (b) does not
18 apply with respect to an administrative reorganization at
19 a medical facility if the Secretary determines that the reor-
20 ganization is necessary to respond to an emergency situa-
21 tion at that facility. The Secretary may determine that
22 there is an emergency situation at a medical facility for
23 purposes of this subsection only in a case in which there
24 would be an immediate danger to patients and employees
25 at that facility without the reorganization. In the case of

1 a facility at which officials of the Department are consid-
2 ering whether to implement an administrative reorganiza-
3 tion before the event or occurrence which leads to an ini-
4 tial finding that such an emergency exists, the Secretary
5 may not make such a determination.

6 "(2) Whenever the Secretary determines under para-
7 graph (1) that it is necessary to carry out an administra-
8 tive reorganization at a medical facility without regard to
9 the limitation in subsection (b), the Secretary shall submit
10 a report on that determination to the Committees on Vet-
11 erans' Affairs of the Senate and House of Representatives.

12 The report shall provide the same information as is pro-
13 vided in a detailed plan and justification in the case of
14 an administrative reorganization subject to subsection (b).
15 The Secretary shall include in the report an explanation
16 of the alternatives to the proposed administrative reorga-
17 nization that were considered and each factor that was
18 considered in the decision to reject each such alternative.”.

**19 SEC. 12004. ELIMINATION OF REQUIREMENT FOR CERTAIN
20 SERVICES IN THE VETERANS HEALTH ADMIN-
21 ISTRATION.**

22 (a) Section 7305 of title 38, United States Code, is
23 repealed.

1 (b) The table of sections at the beginning of chapter
2 73 of such title is amended by striking the item relating
3 to section 7305.

4 **SEC. 12005. MODIFICATION OF PHYSICIAN REQUIREMENT**
5 **FOR CERTAIN SENIOR VETERANS HEALTH**
6 **ADMINISTRATION OFFICIALS.**

7 (a) **UNDER SECRETARY.**—Section 305 of title 38,
8 United States Code, is amended—

9 (1) in subsection (a)(2), by striking out “shall
10 be a doctor of medicine and shall be” and inserting
11 in lieu thereof “shall (except as provided in sub-
12 section (d)(1)) be a doctor of medicine. The Under
13 Secretary shall be”;

14 (2) in subsection (d)—

15 (A) by adding at the end of paragraph (1)
16 the following: “If at the time such a commission
17 is established both the position of Deputy
18 Under Secretary for Health and the position of
19 Associate Deputy Under Secretary for Health
20 are held by individuals who are doctors of medi-
21 cine, the individual appointed by the President
22 as Under Secretary for Health may be someone
23 who is not a doctor of medicine. In any case,
24 the Secretary shall develop, and shall furnish to
25 the commission, specific criteria which the com-

mission shall use in evaluating individuals for recommendations under paragraph (3).";

(B) by redesignating paragraph (4) as paragraph (5);

(C) by inserting after the first sentence of paragraph (3) the following: "In a case in which, pursuant to paragraph (1), the individual to be appointed as Under Secretary does not have to be a doctor of medicine, the commission may make recommendations without regard to the requirement in subsection (a)(2)(A) that the Under Secretary be appointed on the basis of demonstrated ability in the medical profession, but in such a case the commission shall accord a priority to the selection of a doctor of medicine over an individual who is not a doctor of medicine."; and

(D) by designating the last two sentences of paragraph (3) as paragraph (4).

(b) DEPUTY AND ASSOCIATE DEPUTY UNDER SEC-

RETARY.—Section 7306 of such title is amended—

(1) in subsection (a)—

(A) by striking out "of the following:" in the matter preceding paragraph (1) and inserting in lieu thereof "such personnel as may be

1 considered necessary for the purposes of this
2 chapter. In appointing persons to positions in
3 the Office, the Under Secretary shall consider
4 the different types of health care services pro-
5 vided to veterans by the Veterans Health Ad-
6 ministration and shall seek to ensure that ap-
7 pointments in the Office are made in such a
8 manner that the Office is staffed so as to pro-
9 vide the Under Secretary with appropriate ex-
10 pertise in those services. The Office shall in-
11 clude the following:";

12 (B) by inserting "(except as provided in
13 subsection (c))" in paragraphs (1) and (2) after
14 "and who shall";

15 (C) by striking out each paragraph after
16 paragraph (2);

17 (2) by striking out subsection (b);

18 (3) by redesignating subsection (c) as sub-
19 section (b) and striking out "In the case of" in the
20 second sentence and all that follows through "such
21 appointments" and inserting in lieu thereof "Such
22 appointments"; and

23 (4) by inserting after subsection (b), as so re-
24 designated, the following new subsection (c):

1 “(c)(1) If at the time of the appointment of the Dep-
2 uty Under Secretary for Health under subsection (a)(1),
3 both the position of Under Secretary for Health and the
4 position of Associate Deputy Under Secretary for Health
5 are held by individuals who are doctors of medicine, the
6 individual appointed as Deputy Under Secretary for
7 Health may be someone who is not a doctor of medicine.

8 “(2) If at the time of the appointment of the Associ-
9 ate Deputy Under Secretary for Health under subsection
10 (a)(2), both the position of Under Secretary for Health
11 and the position of Deputy Under Secretary for Health
12 are held by individuals who are doctors of medicine, the
13 individual appointed as Associate Deputy Under Secretary
14 for Health may be someone who is not a doctor of medi-
15 cine.”.

16 **SEC. 12006. USE OF FUNDS RECOVERED FROM THIRD PAR-
17 TIES.**

18 (a) AUTHORIZED USES.—Section 1729(g) of title 38,
19 United States Code, is amended by adding at the end of
20 paragraph (3) the following new subparagraph:

21 “(C) Payments for (i) the purchase of needed
22 medical equipment, and (ii) such other purposes as
23 may be specifically authorized by law.”.

1 (b) AVAILABILITY OF FUNDS.—Such section is fur-
2 ther amended by striking out paragraph (4) and inserting
3 the following:

4 “(4)(A) Not later than December 1 of each year,
5 there shall be set aside within the Fund a reserve to be
6 used for the purposes described in paragraph (3)(C). The
7 amount placed into the reserve each year shall be deter-
8 mined under subparagraph (B). No funds may be obli-
9 gated under paragraph (3)(C) in excess of the funds in
10 the reserve. The reserve shall remain available for obliga-
11 tion until expended.

12 “(B)(i) On December 1, 1993, the amount set aside
13 for the reserve under subparagraph (A) shall be the
14 amount by which—

15 “(I) the unobligated balance remaining in the
16 Fund at the close of business on September 30,
17 1993, minus any part of such balance that the Sec-
18 retary determines is necessary to defray, the ex-
19 penses, payments, and costs described in paragraph
20 (3), exceeds

21 “(II) \$538,600,000.

22 “(ii) On December 1, 1994, the amount set aside for
23 the reserve under subparagraph (A) shall be the amount
24 by which—

1 “(I) the unobligated balance remaining in the
2 Fund at the close of business on September 30,
3 1994, minus any part of such balance that the Sec-
4 retary determines is necessary to defray, the ex-
5 penses, payments, and costs described in paragraph
6 (3), exceeds

7 “(II) \$590,500,000.

8 “(iii) On December 1, 1995, the amount set aside for
9 the reserve under subparagraph (A) shall be the amount
10 by which—

11 “(I) the unobligated balance remaining in the
12 Fund at the close of business on September 30,
13 1995, minus any part of such balance that the Sec-
14 retary determines is necessary to defray, the ex-
15 penses, payments, and costs described in paragraph
16 (3), exceeds

17 “(II) \$646,000,000.

18 “(iv) On December 1, 1996, the amount set aside for
19 the reserve under subparagraph (A) shall be the amount
20 by which—

21 “(I) the unobligated balance remaining in the
22 Fund at the close of business on September 30,
23 1996, minus any part of such balance that the Sec-
24 retary determines is necessary to defray, the ex-

1 penses, payments, and costs described in paragraph
2 (3), exceeds
3 “(II) \$698,100,000.

4 “(v) On December 1, 1997, the amount set aside for
5 the reserve under subparagraph (A) shall be the amount
6 by which—

7 “(I) the unobligated balance remaining in the
8 Fund at the close of business on September 30,
9 1997, minus any part of such balance that the Sec-
10 retary determines is necessary to defray, the ex-
11 penses, payments, and costs described in paragraph
12 (3), exceeds

13 “(II) \$753,500,000.

14 “(C) If the amount to be set aside for the reserve
15 for any year, as calculated under subparagraph (B), is less
16 than zero, the amount added to the reserve for that year
17 shall be zero.

18 “(5) Not later than January 1 of each year, there
19 shall be deposited into the Treasury as miscellaneous re-
20 ceipts an amount equal to the amount of the unobligated
21 balance remaining in the Fund at the close of business
22 on September 30 of the preceding year minus any part
23 of such balance that the Secretary determines is necessary
24 in order to enable the Secretary to defray, during the fiscal
25 year in which the deposit is made, the expenses, payments,

1 and costs described in paragraph (3), and the amount in
2 the reserve described in paragraph (4).

3 “(6) The Secretary shall prescribe regulations for the
4 allocation of amounts in the reserve under paragraph (4)
5 to the medical centers of the Department for the purposes
6 stated in paragraph (3)(C). Those regulations shall be de-
7 signed to provide incentives to directors of medical centers
8 to increase the recoveries and collections under this section
9 by requiring that 20 percent of those amounts be made
10 available each year directly to the medical centers at which
11 such recoveries and collections have been at above average
12 levels. The remaining 80 percent of those funds shall be
13 allocated as the Secretary considers appropriate.”.

14 **Subtitle B—Closure of Certain
15 Facilities**

16 **SEC. 12101. CLOSURE OF SUPPLY DEPOTS.**

17 (a) IN GENERAL.—The Secretary of Veterans Affairs
18 shall close the Department of Veterans Affairs' supply de-
19 pots specified in subsection (b).

20 (b) COVERED DEPOTS.—Subsection (a) applies to the
21 supply depots of the Department of Veterans Affairs at
22 the following locations:

- 23 (1) Somerville, New Jersey.
24 (2) Hines, Illinois.
25 (3) Bell, California.

1 (c) DEADLINE.—The Secretary shall complete the ac-
2 tions required by subsection (a) not later than September
3 30, 1995.

4 **SEC. 12102. WAIVER OF OTHER PROVISIONS.**

5 Sections 510(b) and 8121 of title 38, United States
6 Code, do not apply to the actions required under this sub-
7 title.

8 **Subtitle C—Provision of Infor-
9 mation From the Medicare and
10 Medicaid Coverage Data Bank
11 to the Department of Veterans
12 Affairs**

13 **SEC. 12201. PROVISION OF DATA BANK INFORMATION TO
14 DEPARTMENT OF VETERANS AFFAIRS.**

15 (a) ADDITIONAL PURPOSE OF DATA BANK.—

16 (1) The heading to section 1144 of the Social
17 Security Act is amended by striking “**MEDICARE**
18 **AND MEDICAID**” and inserting “**HEALTH CARE**”.

19 (2) Subsection (a) of that section is amended—

20 (A) in the matter preceding paragraph (1),
21 by striking “Medicare and Medicaid” and in-
22 serting “Health Care”;

23 (B) by striking “and” at the end of para-
24 graph (1);

(C) by substituting “, and” for the period at the end of paragraph (2); and

(D) by adding at the end the following:

"(3) assist in the identification of, and the collection from, third parties responsible for payment of health care items and services furnished to veterans under chapter 17 of title 38, United States Code."

(b) DISCLOSURE OF DATA BANK INFORMATION TO

10 SECRETARY OF VETERANS AFFAIRS.—Subsection
11 (b)(2)(B) of that section is amended by inserting “to the
12 Secretary of Veterans Affairs and” after “Data Bank”.

Subtitle D—Veterans' Appeals Improvements

15 SEC. 12301. BOARD OF VETERANS' APPEALS.

16 (a) BOARD MEMBERS AND PERSONNEL.—Section
17 7101(a) of title 38, United States Code, is amended to
18 read as follows:

19 "(a)(1) There is in the Department a Board of Veter-
20 ans' Appeals (hereinafter in this chapter referred to as
21 the 'Board'). The Board is under the administrative con-
22 trol and supervision of a Chairman directly responsible to
23 the Secretary.

24 " (2) The members of the Board shall be the Chair-
25 man, a Vice Chairman, such number of Deputy Vice

1 Chairmen as the Chairman may designate under sub-
2 section (b)(4), and such number of other members as may
3 be found necessary to conduct hearings and consider and
4 dispose of matters properly before the Board in a timely
5 manner. The Board shall have such other professional, ad-
6 ministrative, clerical, and stenographic personnel as are
7 necessary to conduct hearings and consider and dispose
8 of matters properly before the Board in a timely man-
9 ner.”.

10 (b) ETHICAL AND LEGAL LIMITATIONS ON CHAIR-
11 MAN.—Section 7101(b)(1) of such title is amended by in-
12 serting after the first sentence the following: “The Chair-
13 man shall be subject to the same ethical and legal limita-
14 tions and restrictions concerning involvement in partisan
15 political activities as apply to judges of the United States
16 Court of Veterans Appeals.”.

17 (c) APPOINTMENT AND REMOVAL OF BOARD MEM-
18 BERS.—Section 7101(b) of such title is further
19 amended—

20 (1) in paragraph (2)(A) by striking “other
21 members of the Board (including the Vice Chair-
22 man)” and inserting “Board members other than
23 the Chairman”;

24 (2) in paragraph (2)(B) by striking “para-
25 graph” and inserting “subparagraph”; and

1 (3) by striking paragraph (4) and inserting the
2 following:

3 “(4) The Secretary shall designate one Board
4 member as Vice Chairman based upon recommendations
5 of the Chairman. The Chairman may designate
6 one or more Board members as Deputy Vice Chair-
7 men. The Vice Chairman and any Deputy Vice
8 Chairman shall perform such functions as the Chair-
9 man may specify. The Vice Chairman shall serve as
10 Vice Chairman at the pleasure of the Secretary. Any
11 Deputy Vice Chairman shall serve as Deputy Vice
12 Chairman at the pleasure of the Chairman.”.

13 (d) ACTING BOARD MEMBERS.—Section 7101(c) of
14 such title is amended—

15 (1) by striking paragraph (1) and inserting the
16 following:

17 “(1) The Chairman may from time to time des-
18 ignate one or more employees of the Department to
19 serve as acting Board members.”;

20 (2) by striking paragraph (2); and

21 (3) by redesignating paragraph (3) as para-
22 graph (2) and in that paragraph by—

23 (A) striking “temporary Board members
24 designated under this subsection and the num-
25 ber of”; and

(B) striking “section 7102(a)(2)(A)(ii) of this title” and inserting “paragraph (1)”.

3 (e) CHAIRMAN'S ANNUAL REPORT.—Section
4 7101(d)(2) of such title is amended—

(1) by striking out "and" at the end of sub-
paragraph (D);

7 (2) by striking out the period at the end of sub-
8 paragraph (E) and inserting in lieu thereof “; and”;
9 and

10 (3) by adding at the end the following new sub-
11 paragraph:

12 "(F) the names of those employees of the De-
13 partment designated under subsection (c)(1) to serve
14 as acting Board members during that year and the
15 number of cases each such acting Board member
16 participated in during that year.".

17 (e) CONFORMING AMENDMENTS.—Section 7101 of
18 such title is further amended—

(1) in subsection (d)(3)(B), by striking "section 7103(d)" and inserting "section 7101(a)(2)"; and

(2) in subsection (e), by striking "a temporary
or" and inserting "an".

1 SEC. 12302. DECISIONS BY THE BOARD.

2 (a) ACTION BY BVA THROUGH SECTIONS.—Sections
3 7102 and 7103 of title 38, United States Code, are
4 amended to read as follows:

5 "§ 7102. Decisions by the Board

6 "A proceeding instituted before the Board shall be
7 assigned to an individual member or a panel of members
8 of the Board (other than the Chairman). A member or
9 panel of members who are assigned a proceeding shall
10 render a decision thereon, including any motion filed in
11 connection therewith. The member or panel of members
12 shall make a report under section 7104(d) of this title on
13 any such determination, which report shall constitute the
14 Board's final disposition of the proceeding. Decisions by
15 a panel shall be made by a majority of the members of
16 the panel.

17 "§ 7103. Reconsideration; correction of obvious errors

18 "(a) The decision of a member or panel of the Board
19 under section 7102 of this title is final unless the Chair-
20 man orders reconsideration of the case. Such an order may
21 be made on the Chairman's initiative or upon motion of
22 the claimant.

23 "(b)(1) If the Chairman orders reconsideration in a
24 case decided by a single member, the matter shall be re-
25 ferred to a panel of not less than three Board members,
26 not including the member who rendered the initial deci-

1 sion, which shall render its decision after reviewing the
2 entire record before the Board. Such decisions shall be
3 made by a majority vote of the members of the panel and
4 shall constitute the final decision of the Board.

5 “(2) If the Chairman orders reconsideration in a case
6 decided by a panel of members, the matter shall be re-
7 ferred to an enlarged panel, not including the members
8 of the panel which rendered the initial decision, which
9 shall render its decision after reviewing the entire record
10 before the Board. Such decisions shall be made by a ma-
11 jority vote of the members of the expanded panel and shall
12 constitute the final decission of the Board.

13 “(c) The Board on its own motion may correct an
14 obvious error in the record, without regard to whether
15 there has been a motion or order for reconsideration.”.

16 (b) CLERICAL AMENDMENT.—The items relating to
17 sections 7102 and 7103 in the table of sections at the be-
18 ginning of chapter 71 are amended to read as follows:

“7102. Decisions by the Board.

“7103. Reconsideration; correction of obvious errors.”.

19 SEC. 12303. TECHNICAL CORRECTION.

20 Section 7104(a) of title 38, United States Code, is
21 amended by striking out “211(a)” and inserting in lieu
22 thereof “511(a)”.

1 SEC. 12304. HEARINGS.

2 (a) IN GENERAL.—Section 7110 of title 38, United
3 States Code, is amended to read as follows:

4 “§ 7110. Hearings

5 “(a) The Board shall decide any appeal only after af-
6 fording the appellant an opportunity for a hearing.

7 “(b) A hearing docket shall be maintained and formal
8 recorded hearings shall be held by such member or mem-
9 bers of the Board as the Chairman may designate. Such
10 member or members designated by the Chairman to con-
11 duct the hearing will participate in making the final deter-
12 mination in the claim.

13 “(c)(1) An appellant may request a hearing before
14 the Board at either its principal location or at a regional
15 office of the Department. A hearing held at a regional of-
16 fice shall (except as provided in paragraph (2)) be sched-
17 uled for hearing in the order in which the requests for
18 hearing in that area are received by the Department at
19 the place specified by the Department for the filing of re-
20 quests for those hearings.

21 “(2) In a case in which the Secretary is aware that
22 the appellant is seriously ill or is under severe financial
23 hardship, a hearing may be scheduled at a time earlier
24 than would be provided under paragraph (1).

25 “(d) At the request of the Chairman, the Secretary
26 may provide suitable facilities and equipment to the Board

1 or other components of the Department to enable an ap-
2 pellant located at a facility within the area served by a
3 regional office to participate, through voice transmission,
4 or picture and voice transmission, by electronic or other
5 means, in a hearing with a Board member or members
6 sitting at the Board's principal location. When such facili-
7 ties and equipment are available, the Chairman may af-
8 ford the appellant an opportunity to participate in a hear-
9 ing before the Board through the use of such facilities and
10 equipment in lieu of a hearing held by personally appear-
11 ing before a Board member or members as provided in
12 subsection (c). Any such hearing shall be conducted in the
13 same manner as, and shall be considered the equivalent
14 of, a personal hearing. If the appellant declines to partici-
15 pate in a hearing through the use of such facilities and
16 equipment, the opportunity of the appellant to a hearing
17 as provided in subsection (c) shall not be affected.”.

18 (b) CLERICAL AMENDMENT.—The item relating to
19 section 7110 in the table of sections at the beginning of
20 chapter 71 of such title is amended to read as follows:
“7110. Hearings.”.

**21 SEC. 12305. ELIMINATION OF REQUIREMENT FOR ANNUAL
22 INCOME QUESTIONNAIRES.**

23 Section 1506 of title 38, United States Code, is
24 amended—

1 (1) in paragraph (2), by striking out “shall”
2 and inserting in lieu thereof “may”; and

3 (2) in paragraph (3), by striking out “file a re-
4 vised report” and inserting in lieu thereof “notify
5 the Secretary”.

6 **TITLE XIII—HUMAN RESOURCE 7 MANAGEMENT**

8 **SEC. 13001. FEDERAL WORKFORCE TRAINING.**

9 (a) IN GENERAL.—Chapter 41 of title 5, United
10 States Code, is amended—

11 (1) in section 4101(4) by striking “fields” and
12 all that follows through the semicolon and inserting
13 “fields which will improve individual and organiza-
14 tional performance and assist in achieving the agen-
15 cy’s mission and performance goals;”;

16 (2) in section 4103—

17 (A) in subsection (a)—

18 (i) by striking “In” and all that fol-
19 lows through “maintain” and inserting “In
20 order to assist in achieving an agency’s
21 mission and performance goals by improv-
22 ing employee and organizational perform-
23 ance, the head of each agency, in conform-
24 ity with this chapter, shall establish, oper-
25 ate, maintain, and evaluate”;

1 (ii) by striking "and" at the end of
2 paragraph (2);

3 (iii) by redesignating paragraph (3) as
4 paragraph (4); and

5 (iv) by inserting after paragraph (2)
6 the following:

7 "(3) provide that information concerning the
8 selection and assignment of employees for training
9 and the applicable training limitations and restric-
10 tions be made available to employees of the agency;
11 and"; and

12 (B) in subsection (b)—

13 (i) in paragraph (1) by striking "de-
14 termines" and all that follows through the
15 period and inserting "determines that such
16 training would be in the interests of the
17 Government."; and

18 (ii) by striking paragraph (2) and re-
19 designating paragraph (3) as paragraph
20 (2);

21 (3) in section 4105—

22 (A) in subsection (a) by striking "(a)";
23 and

24 (B) by striking subsections (b) and (c);

25 (4) by repealing section 4106;

123

1 (5) in section 4107—

2 (A) by amending the catchline to read as
3 follows:4 **“§ 4107. Restriction on degree training”;**5 (B) by striking subsections (a) and (b) and
6 redesignating subsections (c) and (d) as sub-
7 sections (a) and (b), respectively;8 (C) by amending subsection (a) (as so re-
9 designated)—10 (i) by striking “subsection (d)” and
11 inserting “subsection (b)”; and12 (ii) by striking “by, in, or through a
13 non-Government facility”; and14 (D) by amending paragraph (1) of sub-
15 section (b) (as so redesignated) by striking
16 “subsection (c)” and inserting “subsection (a)”;17 (6) in section 4108(a) by striking “by, in, or
18 through a non-Government facility under this chap-
19 ter” and inserting “for more than a minimum period
20 prescribed by the head of the agency”;

21 (7) in section 4113(b)—

22 (A) in the first sentence by striking “annu-
23 ally to the Office,” and inserting “to the Office,
24 at least once every 3 years, and”; and

1 (B) by striking the matter following the
2 first sentence and inserting the following: "The
3 report shall set forth—

4 "(1) information needed to determine that
5 training is being provided in a manner which is in
6 compliance with applicable laws intended to protect
7 or promote equal employment opportunity; and

8 "(2) information concerning the expenditures of
9 the agency in connection with training and such
10 other information as the Office considers appropriate.";

12 (8) by repealing section 4114; and

13 (9) in section 4118—

14 (A) in subsection (a)(7) by striking "by,
15 in, and through non-Government facilities";

16 (B) by striking subsection (b); and

17 (C) by redesignating subsections (c) and
18 (d) as subsections (b) and (e), respectively.

19 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

20 Title 5, United States Code, is amended—

21 (1) in section 3381(e) by striking "4105(a),"
22 and inserting "4105,"; and

23 (2) in the analysis for chapter 41—

24 (A) by repealing the items relating to sec-
25 tions 4106 and 4114; and

1 (B) by amending the item relating to sec-
2 tion 4107 to read as follows:

“4107. Restriction on degree training.”.

3 (c) **EFFECTIVE DATE.**—The amendments made by
4 this section shall become effective on the date of enact-
5 ment of this Act.

6 **SEC. 13002. SES ANNUAL LEAVE ACCUMULATION.**

7 (a) Effective on the last day of the last applicable
8 pay period beginning in calendar year 1993, subsection (f)
9 of section 6304 of title 5, United States Code, is amended
10 to read as follows:

11 “(f)(1) This subsection applies with respect to annual
12 leave accrued by an individual while serving in a position
13 in—

14 “(A) the Senior Executive Service;
15 “(B) the Senior Foreign Service;
16 “(C) the Defense Intelligence Senior Executive
17 Service;
18 “(D) the Senior Cryptologic Executive Service;
19 or
20 “(E) the Federal Bureau of Investigation and
21 Drug Enforcement Administration Senior Executive
22 Service.

23 “(2) For purposes of applying any limitation on accu-
24 mulation under this section with respect to any annual
25 leave described in paragraph (1)—

1 “(A) ‘30 days’ in subsection (a) shall be deemed
 2 to read ‘90 days’; and

3 “(B) ‘45 days’ in subsection (b) shall be
 4 deemed to read ‘90 days’.”.

5 (b) Notwithstanding the amendment made by sub-
 6 section (a), in the case of an employee who, on the effec-
 7 tive date of subsection (a), is subject to subsection (f) of
 8 section 6304 of title 5, United States Code, and who has
 9 to such employee’s credit annual leave in excess of the
 10 maximum accumulation otherwise permitted by subsection
 11 (a) or (b) of section 6304 (determined applying the
 12 amendment made by subsection (a)), such excess annual
 13 leave shall remain to the credit of the employee and be
 14 subject to reduction, in the same manner as provided in
 15 subsection (c) of section 6304.

16 **TITLE XIV—REINVENTING 17 SUPPORT SERVICES**

18 **SEC. 14001. SHORT TITLE.**

19 This title may be cited as the “Government Informa-
 20 tion Dissemination and Printing Improvement Act of
 21 1993”.

22 **SEC. 14002. TRANSFER OF FUNCTIONS.**

23 (a) **SUPERINTENDENT OF DOCUMENTS.**—The posi-
 24 tion of Superintendent of Documents and all functions of
 25 the position of Superintendent of Documents under title

1 44, United States Code, or any other provision of law are
2 transferred to the Library of Congress and shall be carried
3 out by the Superintendent of Documents under the direc-
4 tion of the Librarian of Congress. The Superintendent of
5 Documents shall be appointed by, and serve at the pleas-
6 ure of, the Librarian of Congress. Until otherwise provided
7 by law, on and after the effective date of the transfer
8 under this subsection, the employees under the Super-
9 intendent of Documents who are transferred shall be
10 treated, for purposes of the laws governing labor-manage-
11 ment relations, in the same manner as such employees
12 were treated before the effective date of such transfer.

13 (b) REVOCATION OF CHARTERS.—All printing plant
14 charters authorized under section 501 of title 44, United
15 States Code, are revoked.

16 (c) EFFECTIVE DATE.—The transfer under sub-
17 section (a) shall take effect one year after the date of the
18 enactment of this title. The revocation under subsection
19 (b) shall take effect 2 years after the date of the enact-
20 ment of this title.

21 **SEC. 14003. GOVERNMENT PUBLICATIONS TO BE AVAIL-
22 ABLE THROUGHOUT THE GOVERNMENT.**

23 All Government publications shall be available
24 throughout the Government to any department, agency,
25 or entity of the Government for use or redissemination.

1 SEC. 14004. INVENTORY AND FURNISHING OF GOVERN-
2 MENT PUBLICATIONS.

3 Each department, agency, and other entity of the
4 Government shall—

5 (1) establish and maintain a comprehensive in-
6 ventory of its Government publications;

7 (2) make such inventory available through the
8 electronic directory under chapter 41 of title 44,
9 United States Code; and

10 (3) in the form and manner prescribed by the
11 Superintendent of Documents, furnish its Govern-
12 ment publications to the Superintendent of Docu-
13 ments.

14 SEC. 14005. ADDITIONAL RESPONSIBILITIES OF THE PUB-
15 LIC PRINTER.

16 (a) IN GENERAL.—The Public Printer shall, with re-
17 spect to the executive branch of the Government and the
18 judicial branch of the Government—

19 (1) use all necessary measures to remedy ne-
20 glect, delay, duplication, and waste in the public
21 printing and binding of Government publications, in-
22 cluding the reduction and elimination of internal
23 printing and high-speed duplicating capacities of de-
24 partments, agencies, and entities;

25 (2) prescribe Government publishing standards,
26 which, to the greatest extent practicable, shall be

1 consistent with the United States Government Print-
2 ing Office Style Manual;

3 (3) prescribe Government procurement and
4 manufacturing requirements for printing paper and
5 writing paper, which, to the greatest extent practi-
6 cable, shall be consistent with Government Paper
7 Specification Standards;

8 (4) authorize the acquisition and transfer of
9 equipment requisitioned by publishing facilities au-
10 thorized under section 501 of title 44, United States
11 Code;

12 (5) authorize the disposal of such equipment
13 pursuant to section 312 of title 44, United States
14 Code; and

15 (6) establish policy for the acquisition of print-
16 ing, which, to the greatest extent practicable, shall
17 be consistent with (A) Printing Procurement Regu-
18 lation (GPO Publication 305.3), (B) Government
19 Printing and Binding Regulations (JCP No. 26),
20 and (C) Printing Procurement Department Instruc-
21 tion (PP304.1B).

22 (b) POLICY STANDARDS.—The policy referred to in
23 subsection (a)(6) shall be formulated to maximize competi-
24 tive procurement from the private sector. Government in-
25 house printing and duplicating operations authorized

1 under section 501 of title 44, United States Code, or oth-
2 erwise authorized by law, may be used if they provide
3 printing at the lowest cost to the Government, taking into
4 consideration the total expense of production, materials,
5 labor, equipment, and general and administrative expense,
6 including all levels of overhead.

7 **SEC. 14006. ADDITIONAL RESPONSIBILITIES OF THE SU-
8 PERINTENDENT OF DOCUMENTS.**

9 (a) **GOVERNMENT PUBLICATIONS TO BE FURNISHED
10 TO THE SUPERINTENDENT OF DOCUMENTS.**—If a depart-
11 ment, agency, or other entity of the Government publishes
12 a Government publication, the head of the department,
13 agency, or entity shall furnish the Government publication
14 to the Superintendent of Doeuments not later than the
15 date of release of the material to the public.

16 (b) **DISSEMINATION OR REPUBLICATION.**—In addi-
17 tion to any other dissemination provided for by law, the
18 Superintendent of Documents shall disseminate or repub-
19 lish Government publications, if, as determined by the Su-
20 perintendent, the dissemination by the department, agen-
21 cy, or entity of the Government is inadequate. The Super-
22 intendent shall have authority to carry out the preeeding
23 sentence by appropriate means, including the disseminta-
24 tion and republication of Government publications fur-
25 nished under subsection (a), with the cost of dissemination

1 and republication to be borne by the department, agency,
2 or entity involved.

3 (c) COST.—The cost charged to the public by the Su-
4 perintendent of Documents under subsection (b) for any
5 Government publication (whether such Government publi-
6 cation is made available to the public by a department,
7 agency, or entity of the Government, or by the Super-
8 intendent of Documents) may include the incremental cost
9 of dissemination, but may not include any profit.

10 **SEC. 14007. DEPOSITORY LIBRARIES.**

11 In addition to any other distribution provided for by
12 law, the Superintendent of Documents shall make Govern-
13 ment publications available to designated depository li-
14 braries and State libraries. The Superintendent shall have
15 authority to carry out the preceding sentence by appro-
16 priate means, including the dissemination and republi-
17 cation of Government publications furnished under section
18 14006(a), with the cost of dissemination and republication
19 to be borne by the department, agency, or entity involved.

20 **SEC. 14008. DEFINITIONS.**

21 As used in this title—

22 (1) the term “Government publication” means
23 any informational matter that is published at Gov-
24 ernment expense, or as required by law; and

1 (2) the term "publish" means, with respect to
2 informational matter, make available for dissemina-
3 tion.

4 **TITLE XV—STREAMLINING**
5 **MANAGEMENT CONTROL**

6 **SEC. 15001. AUTHORITY TO INCREASE EFFICIENCY IN RE-**
7 **PORTING TO CONGRESS.**

8 (a) PURPOSE.—The purpose of this title is to improve
9 the efficiency of Executive branch performance in imple-
10 menting statutory requirements for reports to Congress
11 and its committees. Examples of improvements in effi-
12 ciency intended by this title are the elimination or consoli-
13 dation of duplicative or obsolete reporting requirements
14 and adjustments to deadlines that will provide for more
15 efficient workload distribution or improve the quality of
16 reports.

17 (b) AUTHORITY OF THE DIRECTOR.—The Director of
18 the Office of Management and Budget may publish annu-
19 ally in the President's Budget his recommendations for
20 consolidation, elimination, or adjustments in frequency
21 and due dates of statutorily required periodic reports to
22 the Congress or its committees. For each recommendation,
23 the Director shall provide an individualized statement of
24 the reasons that support the recommendation. In addition,
25 for each report for which a recommendation is made, the

1 Director shall state with specificity the exact consolidation,
2 elimination, or adjustment in frequency or due date
3 that is recommended. If the Director's recommendations
4 are approved by law, they shall take effect.

5 (c) The Director's recommendations shall be consistent
6 with the purpose stated in subsection (a).

7 (d) Prior to the publication of the recommendations
8 authorized in subsection (b), the Director or his designee
9 shall consult with the appropriate congressional committees
10 concerning the recommendations.

TITLE XVI—FINANCIAL MANAGEMENT

SEC. 16001. SHORT TITLE.

This title may be cited as the "Federal Financial Management Act of 1993".

SEC. 16002. ELECTRONIC PAYMENTS.

(a) Section 3332 of title 31, United States Code, is amended to read as follows:

§ 3332. Required direct deposit

"(a)(1) Notwithstanding any other provision of law, all Federal wage, salary, and retirement payments shall be paid to recipients of such payments by electronic funds transfer, unless another method has been determined by the Secretary of the Treasury to be appropriate.

1 "(2) Each recipient of Federal wage, salary, or retire-
2 ment payments shall designate one or more financial insti-
3 tutions or other authorized payment agents and provide
4 the payment certifying or authorizing agency information
5 necessary for the recipient to receive electronic funds
6 transfer payments through each institution so designated.

7 "(b)(1) The head of each agency shall waive the re-
8 quirements of subsection (a) of this section for a recipient
9 of Federal wage, salary, or retirement payments autho-
10 rized or certified by the agency upon written request by
11 such recipient.

12 "(2) Federal wage, salary, or retirement payments
13 shall be paid to any recipient granted a waiver under para-
14 graph (1) of this subsection by any method determined
15 appropriate by the Secretary of the Treasury.

16 "(c)(1) The Secretary of the Treasury may waive the
17 requirements of subsection (a) of this section for any
18 group of recipients upon request by the head of an agency
19 under standards prescribed by the Secretary of the Treas-
20 ury.

21 "(2) Federal wage, salary, or retirement payments
22 shall be paid to any member of a group granted a waiver
23 under paragraph (1) of this subsection by any method de-
24 termined appropriate by the Secretary of the Treasury.

1 "(d) This section shall apply only to recipients of
2 Federal wage or salary payments who begin to receive
3 such payments on or after January 1, 1995, and recipients
4 of Federal retirement payments who begin to receive such
5 payments on or after January 1, 1995.

6 "(e) The crediting of the amount of a payment to
7 the appropriate account on the books of a financial institu-
8 tion or other authorized payment agent designated by a
9 payment recipient under this section shall constitute a full
10 acquittance to the United States for the amount of the
11 payment.".

12 (b) The table of sections for chapter 33 of title 31,
13 United States Code, is amended by amending the item for
14 section 3332 to read:

"3332. Required direct deposit.".

15 **SEC. 16003. FRANCHISE FUNDS AND INNOVATION FUNDS.**

16 (a) Title 31, United States Code, is amended by add-
17 ing, after section 1537, a section 1538, as follows:

18 **“§ 1538. Franchise funds**

19 "(a) There is hereby authorized to be established a
20 franchise fund in any executive agency which does not
21 have such a fund which shall be available, without further
22 appropriation action by the Congress, for expenses and
23 equipment necessary for the maintenance and operations
24 of such administrative services as the head of the agency,
25 with the approval of the Office of Management and Budg-

1 et, determines may be performed more advantageously on
2 a centralized basis.

3 "(b)(1) The fund shall consist of the fair and reason-
4 able value of inventories, equipment, and other assets and
5 inventories on order pertaining to the services to be pro-
6 vided by the fund as are transferred by the head of the
7 agency to the fund less related liabilities and unpaid obli-
8 gations together with any appropriations made for the
9 purpose of providing capital.

10 "(2) For the first fiscal year a fund is in operation
11 and each fiscal year thereafter, an amount not to exceed
12 4 percent of the total income of the fund may be retained
13 in the fund, to remain available until expended, to be used
14 only for the acquisition of capital equipment and for the
15 improvement and implementation of agency financial man-
16 agement and related support systems.

17 "(3) For the first three fiscal years a fund is in oper-
18 ation, up to 50 percent of the unobligated balances of
19 funds provided in annual appropriations available at the
20 end of the fiscal year to the agency for salaries and ex-
21 penses may be transferred into the fund no later than the
22 end of the succeeding fiscal year.

23 "(c) The fund shall be reimbursed or credited with
24 payments, including advance payments, from applicable
25 appropriations and funds of the agency, other Federal

1 agencies, and other sources authorized by law for supplies,
2 materials, and services at rates which will recover the ex-
3 penses of operations including accrued leave, depreciation
4 of fund plant and equipment, and an amount necessary
5 to maintain a reasonable operating reserve, as determined
6 by the head of the agency.

7 “(d)(1) In the third fiscal year after the fund is es-
8 tablished, and each year thereafter, any Federal entity
9 seeking to obtain any service financed through the fund
10 that is not inherently governmental in nature must not
11 be precluded from obtaining such service from one or more
12 other sources, either governmental or non-governmental,
13 in addition to the source finance through the funds.

14 “(2) If, after the end of the third fiscal year after
15 a fund is established, any Federal entity seeking to obtain
16 any service financed through the fund that is not inher-
17 ently governmental in nature is precluded from obtaining
18 such service from one or more other sources, either gov-
19 ernmental or non-governmental, in addition to the source
20 financed through the fund, the fund shall be canceled.”.

21 (b) The table of sections for subchapter III of chapter
22 15 of title 31, United States Code, is amended by adding,
23 after the item for section 1537, the following new item:
“1538. Franchise funds.”.

24 (c) Title 31, United States Code, is amended by add-
25 ing, after section 1538, a section 1539, as follows:

1 § 1539. Innovation funds

2 “(a) There is hereby authorized to be established an
3 innovation fund in any executive agency which does not
4 have such a fund, which shall be available without further
5 appropriation action by the Congress.

6 “(b) The purpose of the fund is to provide a self-
7 sustaining source of financing for agencies to invest in
8 projects designed to produce measurable improvements in
9 agency efficiency and significant taxpayer savings.
10 Amounts available in the fund may be borrowed by the
11 agency for such projects, subject to subsection (e).

12 “(c) Each agency that establishes an innovation fund
13 will develop an investment project selection process, in-
14 cluding specific investment criteria such as return on in-
15 vestment, payback period, extent of matching or in-kind
16 support (including such support from other Federal agen-
17 cies), technical merit, and budget justification.

18 “(d) For the first three fiscal years a fund is in oper-
19 ation, up to 50 percent of the unobligated balances of
20 funds provided in annual appropriations available at the
21 end of the fiscal year to the agency (other than appropria-
22 tions for salaries and expenses) may be transferred to and
23 merged with the innovation fund to be available to make
24 loans to agency components for projects designed to en-
25 hance productivity and generate cost savings, provided

1 that such transfers occur no later than the end of the suc-
2 ceeding fiscal year.

3 "(e)(1) Any amounts borrowed from the fund by an
4 agency component to finance a project selected under the
5 process described in subsection (e) shall be repaid to the
6 fund at the times specified in the repayment schedule
7 agreed upon at the time the loan is made.

8 "(2) Interest on loans made by the fund shall be paid
9 to the fund at the rate on marketable Treasury securities
10 of similar maturity at the time the loan is made.

11 "(3) Repayments shall be made from the accounts
12 anticipated to receive the greatest long-term benefit from
13 the project at the time the loan is made.

14 " (4) Repayments to the fund shall take priority over
15 any other obligation of payments of an account designated
16 to make repayments under paragraph (3) of this sub-
17 section.".

18 (d) The table of sections for subchapter III of chapter
19 15 of title 31, United States Code, is amended by adding,
20 after the item for section 1538, the following new item:
“1539. Innovation funds.”.

23 (a) To improve the efficiency of Executive branch
24 performance in implementing statutory requirements for
25 general management and financial management reports to

1 the Congress and its committees, the Director of the Of-
2 fice of Management and Budget may publish annually in
3 the President's Budget his recommendations for consoli-
4 dation, elimination, or adjustments in frequency and due
5 dates of statutorily required periodic reports of agencies
6 to the Office of Management and Budget or the President
7 and of agencies or the Office of Management and Budget
8 to the Congress under any laws for which the Office of
9 Management and Budget has general management or fi-
10 nancial management responsibility. For each rec-
11 ommendation, the Director shall provide an individualized
12 statement of the reasons that support the recommenda-
13 tion. In addition, for each report for which a recomenda-
14 tion is made, the Director shall state with specificity the
15 exact consolidation, elimination, or adjustment in fre-
16 quency or due date that is recommended. If the Director's
17 recommendations are approved by law, they shall take ef-
18 feet.

19 (b) The Director's recommendations shall be consist-
20 ent with the purpose stated in subsection (a).

21 (c) Prior to the publication of the recommendations
22 authorized in subsection (a), the Director or his designee
23 shall consult with the appropriate congressional commit-
24 tees, including the House Committee on Government Op-

1 erations and the Senate Committee on Governmental Af-
2 fairs, concerning the recommendations.

3 **SEC. 16005. ANNUAL FINANCIAL REPORTS.**

4 (a) Section 3515 of title 31, United States Code, is
5 amended to read as follows:

6 **“§ 3515. Financial statements of agencies**

7 “(a) Not later than March 1 of 1997 and each year
8 thereafter, the head of each executive agency identified in
9 section 901(b) of this title shall prepare and submit to
10 the Director of the Office of Management and Budget an
11 audited financial statement for the preceding fiscal year,
12 covering all accounts and associated activities of each of-
13 fice, bureau, and activity of the agency.

14 “(b) Each audited financial statement of an executive
15 agency under this section shall reflect—

16 “(1) the overall financial position of the offices,
17 bureaus, and activities covered by the statement, in-
18 cluding assets and liabilities thereof; and

19 “(2) results of operations of those offices, bu-
20 reaus, and activities.

21 “(c) The Director of the Office of Management and
22 Budget shall prescribe the form and content of the finan-
23 cial statements of executive agencies under this section,
24 consistent with applicable accounting principles, stand-
25 ards, and requirements.

1 "(d) The Director of the Office of Management and
2 Budget may waive the application of all or part of sub-
3 section (a).

4 "(e) Not later than March 1 of 1996, the head of
5 each Executive agency identified in section 901(b) of this
6 title and designated by the Director of the Office of Man-
7 agement and Budget shall prepare and submit to the Di-
8 rector of the Office of Management and Budget an audited
9 financial statement for the preceding fiscal year, covering
10 all accounts and associated activities of each office, bu-
11 reau, and activity of the agency.

12 "(f) Not later than March 31 of 1994, 1995, and,
13 for Executive agencies not designated by the Director of
14 the Office of Management and Budget under subsection
15 (e), 1996, the head of each Executive agency identified
16 in section 901(b) of this title shall prepare and submit
17 to the Director of the Office of Management and Budget
18 a financial statement for the preceding fiscal year,
19 covering—

20 "(1) each revolving fund and trust fund of the
21 agency; and

22 "(2) to the extent practicable, the accounts of
23 each office, bureau, and activity of the agency which
24 performed substantial commercial functions during
25 the preceding fiscal year.

1 "(g) for purposes of subsection (f), the term 'commer-
2 cial functions' includes buying and leasing of real estate,
3 providing insurance, making loans and loan guarantees,
4 and other credit programs and any activity involving the
5 provision of a service or thing for which a fee, royalty,
6 rent, or other charge is imposed by an agency for services
7 and things of value it provides.".

8 (b) Subsection 3521(f) of title 31, United States
9 Code, is amended to read as follows:

10 "(f)(1) For each audited financial statement required
11 under subsections (a) and (e) of section 3515 of this title,
12 the person who audits the statement for purpose of sub-
13 section (e) of this section shall submit a report on the
14 audit to the head of the agency. A report under this sub-
15 section shall be prepared in accordance with generally ac-
16 cepted government auditing standards.

17 "(2) Not later than June 30 following the fiscal year
18 for which a financial statement is submitted under sub-
19 section (f) of section 3515 of this title, the person who
20 audits the statement for purpose of subsection (e) of this
21 section shall submit a report on the audit to the head of
22 the agency. A report under this subsection shall be pre-
23 pared in accordance with generally accepted government
24 auditing standards.".

1 SEC. 16006. AUTHORIZATION OF APPROPRIATIONS FOR EN-**2 HANCING DEBT COLLECTION.**

3 (a) Title 31, United States Code, is amended by add-
4 ing, after section 3720A, a section 3720B, as follows:

**5 "§ 3720B. Authorization of appropriations for enhanc-
6 ing debt collection**

7 "(a) To the extent and in the amounts provided in
8 advance in appropriations acts—

9 "(1) an amount not to exceed 1 percent of the
10 delinquent debts collected for a program in one fiscal
11 year is authorized to be credited in the following fis-
12 cal year to a special fund for such program;

13 "(2) an amount not to exceed 10 percent of any
14 sustained annual increase in delinquent debt collec-
15 tions, as defined by the Director of the Office of
16 Management and Budget, is authorized to be ered-
17 ited to a special fund for such program; and

18 "(3) from amounts credited under paragraphs
19 (1) and (2), such sums as may be necessary are au-
20 thorized to be appropriated for the improvement of
21 that program's debt collection activities, including,
22 but not limited to, account and loan servicing, delin-
23 quent debt collection and asset disposition.

24 "(b) Debt is defined as delinquent under standards
25 prescribed or to be prescribed by the Secretary of the
26 Treasury.

1 "(c) For direct loan and loan guarantee programs
2 subject to Title V of the Congressional Budget Act of
3 1974, amounts credited in accordance with section (a)
4 shall be considered administrative costs and shall not be
5 included in the estimated payments to the Government for
6 the purpose of calculating the cost of such programs.

7 "(d) This section shall apply only to collection of
8 debts—

9 "(1) for a program not within the Department
10 of Justice; and

11 "(2) not involving the assistance of the Depart-
12 ment of Justice.".

13 (b) The table of sections for subchapter II of chapter
14 37 of title 31, United States Code, is amended by adding,
15 after the item for section 3720A, the following new item:

 "3720B. Authorization of appropriations for enhancing debt collection.".

16 **SEC. 16007. CONTRACTS FOR COLLECTION SERVICES.**

17 (a) Subsection 3701(d) of Title 31, United States
18 Code, is amended—

19 (1) by striking "and 3716–3719" and inserting
20 in lieu thereof ", 3716, and 3717"; and

21 (2) by striking ", the Social Security Act (42
22 U.S.C. 301 et seq.),".

23 (b) Section 3701 of title 31, United States Code, is
24 amended by adding at the end the following:

1 "(e) Section 3718 of this title does not apply to a
2 claim or debt under, or to an amount payable under, the
3 Social Security Act (42 U.S.C. 301 et seq.) owed by a
4 person receiving benefits under that Act or to a claim or
5 debt under, or to an amount payable under, title 26 of
6 the United States Code.".

7 **SEC. 16008. NOTIFICATION TO AGENCIES OF DEBTORS'**
8 **MAILING ADDRESSES.**

9 Section 3720A of title 31, United States Code is
10 amended by striking "the individual's home address." at
11 the end of subsection (c) and inserting the following: "the
12 person's mailing address. Provision of this information is
13 authorized by section 6103(m)(2) of the Internal Revenue
14 Code (26 U.S.C. 6103(m)(2)).".

15 **SEC. 16009. CONTRACTS FOR COLLECTION SERVICES.**

16 Subparagraph 3718(B)(1)(A) of title 31, United
17 States Code, is amended by striking the following: "If the
18 Attorney General makes a contract for legal services to
19 be furnished in any judicial district of the United States
20 under the first sentence of this paragraph, the Attorney
21 General shall use his best efforts to obtain, from among
22 attorneys regularly engaged in the private practice of law
23 in such district, at least four such contracts with private
24 individuals or firms in such district.".

1 SEC. 16010. ADJUSTING CIVIL MONETARY PENALTIES FOR
2 INFLATION.

3 The Federal Civil Penalties Inflation Adjustment Act
4 of 1990 is amended by—

5 (1) amending section 4 to read as follows: “The
6 head of each agency shall—

7 “(1) by regulation, no later than September 30,
8 1994, and at least once every 4 years thereafter, ad-
9 just each civil monetary penalty provided by law
10 within the jurisdiction of the Federal agency, except
11 for any penalty under title 26, United States Code,
12 by the inflation adjustment described under section
13 5 and publish each such adjustment in the Federal
14 Register; and

15 “(2) provide a report to the Secretary of the
16 Treasury by November 15 of each year on all pen-
17 alties adjusted during the preceding fiscal year.”;

18 (2) amending subsection 5(a) by striking “The
19 adjustment described under paragraphs (4) and
20 (5)(A) of section 4” and inserting “The inflation ad-
21 justment”; and

22 (3) adding, after section 6, a section 7, as fol-
23 lows: “Section 7. Any increase to a civil monetary
24 penalty resulting from this Act shall apply only to
25 violations which occur after the date any such in-
26 crease takes effect.”.

1 **TITLE XVII—RESCSSIONS OF**
2 **BUDGET AUTHORITY**

3 **SEC. 17001. SHORT TITLE.**

4 This title may be cited as the "Fiscal Year 1994 Re-
5 scission Act".

6 **Subtitle A—Department of Agri-
7 culture, Rural Development,
8 Food and Drug Administration,
9 and Related Agencies**

10 DEPARTMENT OF AGRICULTURE

11 AGRICULTURAL RESEARCH SERVICE

12 (RESCISSION AND TRANSFER OF FUNDS)

13 Of the funds made available under this heading in
14 Public Law 103–111 and subsequently transferred to the
15 Human Nutrition Information Service pursuant to Sec-
16 retary's Memorandum No. 1020–39, dated September 30,
17 1993, \$1,000,000 are rescinded and the remaining funds
18 are transferred to the Agricultural Research Service: *Pro-*
19 *vided*, That funds appropriated by Public Law 103–111
20 for the functions of the former Human Nutrition Informa-
21 tion Service shall be made available only to the Agricul-
22 tural Research Service.

1 COOPERATIVE STATE RESEARCH SERVICE
2 (RESCISSION)

3 Of the funds made available under this heading in
4 Public Law 103-111, \$14,279,000 are rescinded, includ-
5 ing \$4,375,000 for contracts and grants for agricultural
6 research under the Act of August 4, 1965, as amended;
7 \$7,000,000 for competitive research grants; and
8 \$2,904,000 for necessary expenses of the Cooperative
9 State Research Service.

10 BUILDINGS AND FACILITIES
11 (RESCISSIION)

12 Of the funds made available under this heading in
13 Public Law 103-111, \$2,897,000 are rescinded.

14 AGRICULTURAL MARKETING SERVICE
15 MARKETING SERVICES
16 (RESCISSON AND TRANSFER OF FUNDS)

17 Of the funds made available under this heading in
18 Public Law 103-111 and subsequently transferred to the
19 Agricultural Cooperative Service pursuant to Secretary's
20 Memorandum No. 1020-39, dated September 30, 1993,
21 \$100,000 are rescinded and the remaining funds are
22 transferred to the Rural Development Administration.

PAYMENTS TO STATES AND POSSESSIONS
(TRANSFER OF FUNDS)

25 Of the funds made available under this heading in
26 Public Law 103-111 and subsequently transferred to the

1 Agricultural Cooperative Service pursuant to Secretary's
2 Memorandum No. 1020-39, dated September 30, 1993,
3 \$435,000 are transferred to the Rural Development
4 Administration.

5 **FARMERS HOME ADMINISTRATION**

6 **RURAL HOUSING INSURANCE FUND PROGRAM ACCOUNT**
7 (**RESCISSION**)

8 Of the funds made available under this heading in
9 Public Law 103-111 for the cost of direct section 502
10 loans, \$35,000,000 are rescinded.

11 **RURAL DEVELOPMENT LOAN FUND PROGRAM ACCOUNT**
12 (**RESCISSION**)

13 Of the funds made available under this heading in
14 Public Law 103-111 for the cost of direct loans,
15 \$20,000,000 are rescinded.

16 **RURAL WATER AND WASTE DISPOSAL GRANTS**
17 (**RESCISSION**)

18 Of the funds made available under this heading in
19 Public Law 103-111, \$25,000,000 are rescinded.

20 **SALARIES AND EXPENSES**
21 (**RESCISSION**)

22 Of the funds made available under this heading in
23 Public Law 103-111, \$12,167,000 are rescinded.

1 **FOOD AND NUTRITION SERVICE**
2 **COMMODITY SUPPLEMENTAL FOOD PROGRAM**
3 **(RESCISSION)**

4 Of the funds made available under this heading in
5 Public Law 102-341, \$12,600,000 are rescinded.

6 **FOOD DONATIONS PROGRAMS FOR SELECTED GROUPS**
7 **(RESCISSION)**

8 Of the funds made available under this heading in
9 Public Law 102-341, \$6,000,000 are rescinded.

10 **PUBLIC LAW 480 PROGRAM ACCOUNT**
11 **(RESCISSION)**

12 Of the funds made available under this heading in
13 Public Law 103-111 for commodities supplied in connec-
14 tion with title III, \$20,000,000 are rescinded.

15 **Subtitle B—Departments of Com-**
16 **merce, Justice, and State, the**
17 **Judiciary, and Related Agencies**

18 **DEPARTMENT OF COMMERCE**

19 **ECONOMIC DEVELOPMENT ADMINISTRATION**
20 **ECONOMIC DEVELOPMENT REVOLVING FUND**
21 **(RESCISSION)**

22 Of the unobligated balances in the Economic Devel-
23 opment Revolving Fund, \$29,000,000 are rescinded.

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1 **NATIONAL OCEANIC AND ATMOSPHERIC**
2 **ADMINISTRATION**
3 **CONSTRUCTION**
4 **(RESCISSION)**

5 Of the amounts made available under this heading
6 in Public Law 103-121, \$3,000,000 are rescinded.

7 **DEPARTMENT OF JUSTICE**
8 **ADMINISTRATIVE PROVISION**

9 For fiscal year 1994 only, the Director of the Bureau
10 of Justice Assistance, upon good cause shown, may waive
11 the provisions of section 504(f) of the Omnibus Crime
12 Control and Safe Streets Act of 1968 for projects located
13 in communities covered under a Presidentially declared
14 disaster pursuant to the Robert T. Stafford Disaster Re-
15 lief and Emergency Assistance Act.

16 **DEPARTMENT OF STATE**
17 **ADMINISTRATION OF FOREIGN AFFAIRS**
18 **BUYING POWER MAINTENANCE**
19 **(RESCISSION)**

20 Of the balances in the Buying Power Maintenance
21 account, \$8,800,000 are rescinded.

22 **NEW DIPLOMATIC POSTS**
23 **(RESCISSION)**

24 Of the funds made available for the United States
25 Information Agency under this heading in Public Law
26 102-395, \$1,000,000 are rescinded.

1 ADMINISTRATIVE PROVISION

2 Subject to enactment of legislation authorizing the
3 Secretary of State to charge a fee or surcharge for proc-
4 essing machine readable non-immigrant visas and machine
5 readable combined border crossing identification cards and
6 non-immigrant visas, the Secretary of State may collect
7 not to exceed \$20,000,000 in additional fees or surcharges
8 during fiscal year 1994 pursuant to such authority: *Pro-*
9 *vided*, That such additional fees shall be deposited as an
10 offsetting collection to the Department of State, Adminis-
11 tration of Foreign Affairs, "Diplomatic and Consular Pro-
12 grams" appropriation account and such fees shall remain
13 available until expended: *Provided further*, That such col-
14 lections shall be available only to modernize, automate,
15 and enhance consular services and counterterrorism activi-
16 ties of the Department of State, to include the develop-
17 ment and installation of automated visa and namecheck
18 information systems, secure travel documents, worldwide
19 telecommunications systems, and management systems to
20 permit sharing of critical information regarding visa appli-
21 cants and help secure America's borders.

1 **THE JUDICIARY**2 **COURTS OF APPEALS, DISTRICT COURTS, AND OTHER**3 **JUDICIAL SERVICES**4 **DEFENDER SERVICES**5 **(RESCISSION)**

6 Of the funds made available under this heading in
7 Public Law 103-121, \$3,000,000 are rescinded.

8 **RELATED AGENCIES**9 **BOARD FOR INTERNATIONAL BROADCASTING**10 **ISRAEL RELAY STATION**11 **(RESCISSION)**

12 Of the funds made available under this heading,
13 \$1,700,000 are rescinded.

14 **UNITED STATES INFORMATION AGENCY**15 **SALARIES AND EXPENSES**16 **(INCLUDING RESCISSION)**

17 Of the funds made available under this heading in
18 Public Law 103-121, \$1,177,000 are rescinded.

19 Notwithstanding the provisions of this or any other
20 Act, not to exceed \$2,000,000 of the funds made available
21 under this heading in Public Law 103-121 may be used
22 to carry out projects involving security construction and
23 related improvements for Agency facilities not physically
24 located together with Department of State facilities
25 abroad: *Provided*, That such funds may remain available
26 until expended.

1 EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
2 (RESCISSION)

3 Of the funds made available under this heading in
4 Public Law 103-121, \$850,000 are rescinded.

RADIO CONSTRUCTION

7 Of the funds made available under this heading in
8 Public Law 103-121, \$2,000,000 are rescinded.

Subtitle C—Energy and Water Development

11 DEPARTMENT OF DEFENSE—CIVIL

12 DEPARTMENT OF THE ARMY

13 **CORPS OF ENGINEERS—CIVIL**

14 GENERAL INVESTIGATIONS

16 Of the amounts made available

17 in Public Law 102-377 and prior years' Energy and
18 Water Development Appropriations Acts, \$24,970,000 are
19 rescinded.

20 CONSTRUCTION, GENERAL
21 (RESCISSON)

22 Of the amounts made available under this heading
23 in Public Law 102-377 and prior years' Energy and
24 Water Development Appropriations Acts, \$97,319,000 are
25 rescinded.

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1 DEPARTMENT OF THE INTERIOR

2 BUREAU OF RECLAMATION

3 CONSTRUCTION PROGRAM

4 (RESCISSON)

5 Of the amounts made available under this heading
6 in Public Law 102-377 and prior years' Energy and
7 Water Development Appropriations Acts, \$16,000,000 are
8 rescinded.

9 DEPARTMENT OF ENERGY

10 ENERGY SUPPLY, RESEARCH AND DEVELOPMENT

11 ACTIVITIES

12 (RESCISSON)

13 Of the funds made available under this heading in
14 Public Law 103-126, \$97,300,000 are rescinded: *Pro-*
15 *vided*, That the reduction shall be taken as a general re-
16 duction, applied to each program equally, so as not to
17 eliminate or disproportionately reduce any program,
18 project, or activity in the Energy Supply, Research and
19 Development Activities account as included in the reports
20 accompanying Public Law 103-126.

21 URANIUM SUPPLY AND ENRICHMENT ACTIVITIES

22 (RESCISSON)

23 Of the amounts made available under this heading
24 in Public Law 102-377 and prior years' Energy and
25 Water Development Appropriations Acts, \$42,000,000 are
26 rescinded.

1 **Subtitle D—Foreign Operations,
2 Export Financing, and Related
3 Agencies**

4 **MULTILATERAL ECONOMIC ASSISTANCE**

5 **FUNDS APPROPRIATED TO THE PRESIDENT**

6 **INTERNATIONAL FINANCIAL INSTITUTIONS**

7 **INTERNATIONAL BANK FOR RECONSTRUCTION AND**

8 **DEVELOPMENT**

9 **(RESCISSION)**

10 Of the unexpended or unobligated balances made
11 available for payment to the International Bank for Re-
12 construction and Development for the United States share
13 of the paid-in share portion of the increases in capital
14 stock for the General Capital Increase, \$27,910,500 is
15 rescinded.

16 **LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS**

17 Notwithstanding Public Law 103-87, the United
18 States Governor of the International Bank for Reconstruc-
19 tion and Development may subscribe without fiscal year
20 limitation to the callable capital portion of the United
21 States share of the increases in capital stock in an amount
22 not to exceed \$902,439,500.

1 CONTRIBUTION TO THE INTER-AMERICAN DEVELOPMENT
2 BANK
3 (RESCISSION)

4 Of the unexpended or unobligated balances made
5 available for payment to the Inter-American Development
6 Bank by the Secretary of the Treasury, for the paid-in
7 share portion of the United States share of the increase
8 in capital stock \$16,063,134 is rescinded.

9 LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS
10 Notwithstanding Public Law 103-87, the United
11 States Governor of the Inter-American Development Bank
12 may subscribe without fiscal year limitation to the callable
13 capital portion of the United States share of the increases
14 in capital stock in an amount not to exceed
15 \$1,563,875,725.

16 CONTRIBUTION TO THE ASIAN DEVELOPMENT BANK
17 (RESCISSION)

18 Of the unexpended or unobligated balances made
19 available for payment to the Asian Development Bank by
20 the Secretary of the Treasury, for the paid-in share por-
21 tion of the United States share of the increase in capital
22 stock \$13,026,366 is rescinded.

23 LIMITATION ON CALLABLE CAPITAL SUBSCRIPTIONS
24 Notwithstanding Public Law 103-87, the United
25 States Governor of the Asian Development Bank may not
26 subscribe in fiscal year 1994 to the callable capital portion

1 of the United States share of any increases in capital
2 stock.

3 **BILATERAL ECONOMIC ASSISTANCE**
4 **FUNDS APPROPRIATED TO THE PRESIDENT**
5 **AGENCY FOR INTERNATIONAL DEVELOPMENT**
6 **DEVELOPMENT ASSISTANCE**
7 **(RESCISSION)**

8 Of the unexpended or unobligated balances (including
9 earmarked funds) made available for fiscal years 1987
10 through 1993 to carry out the provisions of sections 103
11 through 106 of the Foreign Assistance Act of 1961, as
12 amended, \$160,000,000 is rescinded: *Provided*, That
13 funds rescinded under this paragraph are to be derived
14 from the following countries in the following amounts:
15 Guatemala, \$8,000,000; Honduras, \$5,000,000; India,
16 \$10,000,000; Indonesia, \$15,000,000; Morocco,
17 \$10,000,000; Pakistan, \$15,000,000; Peru, \$5,000,000;
18 Philippines, \$10,000,000; Thailand, \$10,000,000; and
19 Yemen, \$5,000,000: *Provided further*, That \$10,000,000
20 of the funds rescinded under this paragraph are to be de-
21 rived from non-country specific, centrally funded activities:
22 *Provided further*, That \$57,000,000 of the funds rescinded
23 under this paragraph are to be derived from prior year
24 deobligated funds.

1 ECONOMIC SUPPORT FUND

2 (RESCISSION)

3 Of the unexpended or unobligated balances of funds
4 (including earmarked funds) made available for fiscal
5 years 1987 through 1993 to carry out the provisions of
6 chapter 4 of part II of the Foreign Assistance Act of 1961,
7 as amended, \$90,000,000 is rescinded: *Provided*, That
8 funds rescinded under this paragraph are to be derived
9 from the following countries in the following amounts:
10 Kenya, \$2,000,000; Liberia, \$797,000; Oman,
11 \$18,000,000; Peru, \$11,000,000; Philippines,
12 \$10,200,000; and Somalia, \$3,003,000: *Provided further*,
13 That \$45,000,000 of the funds rescinded under this para-
14 graph are to be derived from the Private Sector Power
15 Project (No. 391-0494) for Pakistan.

16 MILITARY ASSISTANCE

17 FUND APPROPRIATED TO THE PRESIDENT

18 FOREIGN MILITARY FINANCING PROGRAM

19 (RESCISSION)

20 Of the grant funds made available (including ear-
21 marked funds) under this heading in Public Law 102-391
22 and prior appropriations Acts, \$66,000,000 is rescinded:
23 *Provided*, That funds rescinded under this paragraph are
24 to be derived from the following countries in the following
25 amounts: Benin, \$3,000; Cameroon, \$161,000; Central
26 African Republic, \$59,000; Congo, \$7,000; Cote D' Ivoire,

1 \$128,000; Equatorial Guinea, \$86,000; Gabon, \$3,000;
2 Ghana, \$600,000; Guatemala, \$1,563,000; Guinea,
3 \$499,000; Kenya, \$9,000,000; Liberia, \$15,000; Mada-
4 gascar, \$505,000; Mali, \$3,000; Malawi, \$326,000; Mau-
5 ritania, \$300,000; Morocco, \$8,000,000; Organization of
6 American States, \$6,000; Oman, \$3,100,000; Pakistan,
7 \$8,108,000; Peru, \$6,533,000; Philippines, \$5,000,000;
8 Rwanda, \$250,000; Sao Tome & Principe, \$228,000; So-
9 malia, \$4,349,000; Sudan, \$8,609,000; Thailand,
10 \$1,384,000; Togo, \$19,000; Tunisia, \$4,100,000; Ugan-
11 da, \$100,000; Yemen, \$2,241,000; Zambia, \$100,000;
12 Zaire, \$455,000; and Zimbabwe, \$160,000.

13 **Subtitle E—Department of the**
14 **Interior and Related Agencies**

15 DEPARTMENT OF THE INTERIOR

16 U.S. FISH AND WILDLIFE SERVICE

17 CONSTRUCTION AND ANADROMOUS FISH

18 (RESCISSION)

19 Of the funds appropriated under this head in Public
20 Law 100-446 and Public Law 102-154, \$3,874,000 are
21 rescinded.

1 DEPARTMENT OF THE TREASURY

2 BIOMASS ENERGY DEVELOPMENT

3 (RESCISSION)

4 Of the funds available under this head, \$16,275,000
5 are rescinded.

6 DEPARTMENT OF ENERGY

7 ADMINISTRATIVE PROVISIONS, DEPARTMENT OF ENERGY

8 Section 303 of Public Law 97-257, as amended, is
9 repealed.

10 The seventh proviso under the head "Clean Coal
11 Technology" in Public Law 101-512, and the seventh prov-
12 iso under the head "Clean Coal Technology" in Public
13 Law 102-154, both concerning Federal employment, are
14 repealed.

15 **Subtitle F—Departments of Labor,
16 Health and Human Services,
17 Education, and Related Agen-
18 cies**

19 DEPARTMENT OF LABOR

20 (RESCISSION)

21 Of the amounts appropriated in Public Law 103-112
22 for salaries and expenses and administrative costs of the
23 Department of Labor, \$4,000,000 are rescinded.

1 DEPARTMENT OF HEALTH AND HUMAN
2 SERVICES
3 (RESCISSION)

4 Of the amounts appropriated in Public Law 103-112
5 for salaries and expenses and administrative costs of the
6 Department of Health and Human Services (except the
7 Social Security Administration), \$37,500,000 are
8 rescinded.

9 SOCIAL SECURITY ADMINISTRATION
10 SUPPLEMENTAL SECURITY INCOME PROGRAM
11 (RESCISSIION)

12 Of the amounts appropriated in the first paragraph
13 under this heading in Public Law 103-112, \$10,909,000
14 are rescinded.

15 LIMITATION ON ADMINISTRATIVE EXPENSES

16 (RESCISSIION)

17 Of the funds made available under this heading in
18 Public Law 103-112 to invest in a state-of-the-art com-
19 puting network, \$80,000,000 are rescinded.

20 DEPARTMENT OF EDUCATION
21 DEPARTMENTAL MANAGEMENT
22 PROGRAM ADMINISTRATION
23 (RESCISSION)

24 Of the amounts appropriated under this heading in
25 Public Law 103-112 for salaries and expenses and admin-

1 istrative costs of the Department of Education,
2 \$8,500,000 are rescinded.

3 **Subtitle G—Legislative Branch**

4 **HOUSE OF REPRESENTATIVES**

5 **SALARIES AND EXPENSES**

6 **(RESCISSION)**

7 Of the amounts made available under this heading
8 in Public Law 101-520, \$633,000 are rescinded in the
9 amounts specified for the following headings and accounts:

10 “ALLOWANCES AND EXPENSES”, \$633,000, as follows:

11 “Official Expenses of Members”, \$128,000; “sup-
12 plies, materials, administrative costs and Federal tort
13 claims”, \$125,000; “net expenses of purchase, lease and
14 maintenance of office equipment”, \$364,000; and “Gov-
15 ernment contributions to employees’ life insurance fund,
16 retirement funds, Social Security fund, Medicare fund,
17 health benefits fund, and worker’s and unemployment
18 compensation”, \$16,000.

19 Of the amounts made available under this heading
20 in Public Law 102-90, \$2,352,000 are rescinded in the
21 amounts specified for the following headings and accounts:

165

1 National Energy Conservation Policy Act and the head of
2 the agency for purposes of subsection (b)(2)(C) of such
3 section.

4 LIBRARY OF CONGRESS

5 (RESCISSION)

6 Of the amounts made available under this heading
7 in Public Law 103-69 and Public Law 98-396, \$900,000
8 are rescinded.

9 GENERAL ACCOUNTING OFFICE

10 SALARIES AND EXPENSES

11 (RESCISSION)

12 Of the amounts made available under this heading
13 in Public Law 103-69, \$1,300,000 are rescinded.

14 SUPPLEMENTAL APPROPRIATION

15 That the following sum is appropriated, out of any
16 money in the Treasury not otherwise appropriated, for the
17 Legislative Branch for the fiscal year ending September
18 30, 1994, and for other purposes, namely:

19 HOUSE OF REPRESENTATIVES

20 PAYMENTS TO WIDOWS AND HEIRS OF DECEASED

21 MEMBERS OF CONGRESS

22 For payment to Karen A. Henry, widow of Paul B.
23 Henry, late a Representative from the State of Michigan,
24 \$133,600.

1 **Subtitle H—Department of**
2 **Defense-Military**

3 **MILITARY CONSTRUCTION**

4 **(RESCSSIONS)**

5 Of the funds appropriated under Public Law 103–
6 110, the following funds are hereby rescinded from the
7 following accounts in the specified amounts:

8 Military Construction, Army, \$22,319,000;

9 Military Construction, Navy, \$13,969,000;

10 Military Construction, Air Force, \$24,787,000;

11 Military Construction, Defense-Wide,
12 \$13,663,000;

13 Military Construction, Army National Guard,
14 \$7,568,000;

15 Military Construction, Air National Guard,
16 \$6,187,000;

17 Military Construction, Army Reserve,
18 \$2,551,000;

19 Military Construction, Naval Reserve,
20 \$626,000;

21 Military Construction, Air Force Reserve,
22 \$1,862,000;

23 North Atlantic Treaty Organization Infrastruc-
24 ture, \$70,000,000; and

1 Base Realignment and Closure Account, Part
2 III, \$437,692,000:

3 *Provided*, That, within funds available for "Base Realignment and Closure Account, Part III" for fiscal year 1994, 5 not less than \$200,000,000 shall be available solely for 6 environmental restoration.

7 **Subtitle I—Department of Transportation and Related Agencies**

9 **DEPARTMENT OF TRANSPORTATION**

10 **OFFICE OF THE SECRETARY**

11 **PAYMENTS TO AIR CARRIERS**

12 **(AIRPORT AND AIRWAY TRUST FUND)**

13 **(RESCISSION)**

14 The funds provided for "Small community air service" under section 419 of the Federal Aviation Act of 1958, as amended, in excess of the funds made available 17 for obligation in Public Law 103-122 are rescinded.

18 **COAST GUARD**

19 **OPERATING EXPENSES**

20 **(RESCISSION)**

21 Of the funds provided under this heading in Public 22 Law 102-368, \$5,000,000 are rescinded.

23 **ACQUISITION, CONSTRUCTION, AND IMPROVEMENTS**

24 **(RESCISSION)**

25 Of the funds provided under this heading in Public 26 Law 102-368, \$2,000,000 are rescinded.

1 **FEDERAL AVIATION ADMINISTRATION**
2 **OPERATIONS**
3 **(RESCISSION)**

4 Of the funds made available under this heading in
5 Public Law 103-122, \$750,000 are rescinded.

6 **FACILITIES AND EQUIPMENT**
7 **(AIRPORT AND AIRWAY TRUST FUND)**
8 **(RESCISSION)**

9 Of the available balances (including earmarked
10 funds) under this heading, \$29,451,111 are rescinded.

11 **GRANTS-IN-AID FOR AIRPORTS**
12 **(AIRPORT AND AIRWAY TRUST FUND)**
13 **(RESCISSION)**

14 Of the funds provided under the Airport and Airway
15 Improvement Act of 1982, as amended, for grants-in-aid
16 for airport planning and development and noise compat-
17 ibility planning and programs, \$488,200,000 of the
18 amount in excess of the funds made available for obliga-
19 tion in Public Law 103-122 are rescinded.

20 **FEDERAL HIGHWAY ADMINISTRATION**
21 **(RESCISSION)**

22 Of the funds made available for specific highway
23 projects that are not yet under construction, \$85,774,222
24 are rescinded: *Provided*, That no funds shall be rescinded
25 from any emergency relief project funded under section
26 125 of title 23, United States Code: *Provided further*, That

1 for the purposes of this paragraph, a project shall be
2 deemed to be not under construction unless a construction
3 contract for physical construction has been awarded by the
4 State, municipality, or other contracting authority.

5 **NATIONAL HIGHWAY TRAFFIC SAFETY**

6 **ADMINISTRATION**

7 **OPERATIONS AND RESEARCH**

8 **(RESCISSION)**

9 Of the amounts provided under this heading in Public
10 Law 102-388, \$3,476,000 are rescinded.

11 Of the amounts provided under this heading in Public
12 Law 101-516, \$1,075,000 are rescinded.

13 Of the amounts provided under this heading in Public
14 Law 101-164, \$2,505,000 are rescinded.

15 **FEDERAL TRANSIT ADMINISTRATION**

16 **DISCRETIONARY GRANTS**

17 **(HIGHWAY TRUST FUND)**

18 **(RESCISSION)**

19 Any unobligated balances of funds made available for
20 fiscal year 1991 and prior fiscal years under section 3 of
21 the Federal Transit Act, as amended, and allocated to spe-
22 cific projects for the replacement, rehabilitation, and pur-
23 chase of buses and related equipment, for construction of
24 bus-related facilities, and for new fixed guideway systems
25 are rescinded: *Provided*, That no funds provided for the
26 Miami Metromover project shall be rescinded: *Provided*

1 further, That of the funds provided under this heading in
2 Public Law 103-122, \$2,500,000 are rescinded.

3 **Subtitle J—Treasury, Postal**
4 **Service, and General Government**

5 GENERAL SERVICES ADMINISTRATION

6 FEDERAL BUILDINGS FUND

7 (RESCISSION)

8 Of the funds made available under this heading in
9 Public Law 103-123, \$126,022,000, are rescinded and
10 are not available in fiscal year 1994: *Provided*, That no
11 individual prospectus-level new construction project may
12 be reduced by more than 5 percent.

13 ADMINISTRATIVE PROVISION

14 SEC. 17101. Section 630 of the Treasury, Postal
15 Service, and General Government Appropriations Act,
16 1993 (Public Law 102-393), and the amendment made
17 by that section, are repealed.

1 **Subtitle K—Departments of Veter-**
2 **ans Affairs and Housing and**
3 **Urban Development, and Inde-**
4 **pendent Agencies**

5 **DEPARTMENT OF VETERANS AFFAIRS**

6 **DEPARTMENTAL ADMINISTRATION**

7 **CONSTRUCTION, MAJOR PROJECTS**

8 (b) (RESCISSION)

9 Of the funds made available under this heading in
10 Public Law 103-124, \$26,000,000 are rescinded.

11 **DEPARTMENT OF HOUSING AND URBAN**

12 **DEVELOPMENT**

13 **HOUSING PROGRAMS**

14 **HOMEOWNERSHIP AND OPPORTUNITY FOR PEOPLE**

15 **EVERYWHERE GRANTS (HOPE GRANTS)**

16 (b) (RESCISSION)

17 Of the funds made available under this heading in
18 Public Law 102-389 and Public Law 102-139,
19 \$66,000,000 are rescinded: *Provided*, That of the fore-
20 going amount, \$34,000,000 shall be deducted from the
21 amounts earmarked for the HOPE for Public and Indian
22 Housing Homeownership Program and \$32,000,000 shall
23 be deducted from the amounts earmarked for the HOPE
24 for Homeownership of Multifamily Units Program.

**ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING
(RESCISSIION)**

3 Of the funds made available under this heading in
4 Public Law 102-389 and prior years, and earmarked for
5 amendments to section 8 contracts other than contracts
6 for projects developed under section 202 of the Housing
7 Act of 1959, \$25 000 000 are rescinded

**8 ASSISTANCE FOR THE RENEWAL OF EXPIRING SECTION 8
9 SUBSIDY CONTRACTS**

10 (RESCISSION)
11 Of the funds made available under this heading in
12 Public Law 102-389 and prior years, \$20,000,000 are
13 rescinded.

14 ADMINISTRATIVE PROVISION

15 Notwithstanding any other provision of law, the City
16 of Slidell, Louisiana, is authorized to submit not later than
17 10 days following the enactment of this Act, and the Sec-
18 retary of Housing and Urban Development shall consider,
19 the final statement of community development objectives
20 and projected use of funds required by section 104(a)(1)
21 of the Housing and Community Development Act of 1974
22 (42 U.S.C. 5304(a)(1)) in connection with a grant to the
23 City of Slidell under title I of such Act for fiscal year
24 1994.

1 INDEPENDENT AGENCIES

2 ENVIRONMENTAL PROTECTION AGENCY

3 WATER INFRASTRUCTURE/STATE REVOLVING FUNDS

4 (INCLUDING RESCISSION OF FUNDS)

5 Of the funds made available under this heading in
6 Public Law 103-124, \$22,000,000 are rescinded: *Pro-*
7 *vided*, That the \$500,000,000 earmarked under this head-
8 ing in Public Law 103-124 to not become available until
9 May 31, 1994, shall instead not become available until
10 September 30, 1994.

11 FEDERAL EMERGENCY MANAGEMENT AGENCY

12 EMERGENCY MANAGEMENT PLANNING AND ASSISTANCE

13 (RESCISSION)

14 Of the funds made available under this heading in
15 Public Law 103-124, \$2,000,000 are rescinded.

16 NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

17 RESEARCH AND DEVELOPMENT

18 (RESCISSION)

19 Of the funds made available under this heading in
20 Public Law 103-124, \$25,000,000 are rescinded.

21 CONSTRUCTION OF FACILITIES

22 (RESCISSION)

23 Of the funds made available under this heading in
24 Public Law 103-124, \$25,000,000 are rescinded.

1 NATIONAL SCIENCE FOUNDATION

2 ACADEMIC RESEARCH INFRASTRUCTURE

3 (RESCISSION)

4 Of the funds made available under this heading in
5 Public Law 103-124, \$10,000,000 are rescinded.

6 NATIONAL SERVICE INITIATIVE

7 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
8 (RESCISSION)

9 Of the funds made available under this heading in
10 Public Law 103-124, \$5,000,000 are rescinded.

11 EXECUTIVE OFFICE OF THE PRESIDENT

12 OFFICE OF SCIENCE AND TECHNOLOGY POLICY

13 The proviso under this heading in Public Law 103-
14 124 is repealed.

Passed the House of Representatives November 22,
1993.

Attest: DONNALD K. ANDERSON,
Clerk.

PREPARED STATEMENT OF CHARLES A. BOWSHER

Mr. Chairman and Members of the Committee:

It is a pleasure to appear before you today to discuss key management aspects of H.R. 3400, the Government Reform and Savings Act of 1993. In 17 separate titles and over 70 provisions, H.R. 3400 makes a host of specific legislative proposals covering a wide range of topics, from those related to improving individual agency operations to furthering broad-based governmentwide initiatives. Today, as you requested, I will focus my remarks on those sections of the legislation that concern financial management, general management and human resource management.

Most of these management proposals emanate from the Vice President's major National Performance Review (NPR). They are directed at moving toward a smaller, more efficient government which stresses accountability and managing for results. As I emphasized in my testimony last month before this Committee on sustaining and enhancing management reforms, I am very encouraged by recent actions by the Congress and the administration to move in this direction.

Consequently, we are generally supportive of the thrust of the proposed management improvement sections of H.R. 3400. I will point out certain provisions today, especially the requirement for audited financial statements for the government's largest 23 departments and agencies, that are vital to meaningful management reform and should be swiftly enacted. In a few cases, especially in the franchise and innovation funds area, we have serious reservations about the provisions as now structured in the bill and see the need for more deliberation and consideration of alternative courses of action. And, finally, we have a number of refinements to individual sections that we will offer and one suggestion for an additional provision focused on preparing and auditing a much-needed consolidated picture of the Federal Government's financial condition.

REQUIRING AUDITED FINANCIAL STATEMENTS FOR ALL MAJOR AGENCIES

Let me first turn to the area of expanding the Chief Financial Officers (CFO) Act's requirement for audited financial statements, contained in Section 16005 of H.R. 3400. Enacting this provision is essential to enhancing ongoing financial management reforms to ensure basic accountability and produce the facts needed to run our government effectively. It is absolutely critical that we expand and make permanent the CFO Act's audited financial statement requirements for all major departments and agencies. As discussed in our 1988 and 1992 transition reports on financial management, unless we achieve success here, our leaders will continue to be crippled in their ability to control costs, evaluate performance, or adequately implement calls for broader management improvements.

The CFO Act, sponsored by this Committee, provides the blueprint for essential financial management reform. Since its enactment in late 1990, we have seen important progress in directly confronting serious financial management weaknesses. In particular, the act's requirement for producing annual audited financial statements on a pilot basis is demonstrating its value in many important ways.

First, a much clearer picture is emerging of the government's true financial condition. On the revenue side, our financial audits of the Internal Revenue Service (IRS) and the U.S. Customs Service concluded that there is little assurance that the government is collecting all the money due or accurately accounting for the estimated \$1.1 trillion it receives annually. Financial audits also have provided a much more realistic portrayal of the costs the government can expect to incur as a result of its activities. The audits have highlighted tens of billions of dollars in liabilities and potential losses to the government from its wide variety of activities, such as education and housing loan programs, pension benefit requirements, and hazardous waste cleanup.

This is the kind of information needed to make critical decisions on the budget, tax policies, and the overall direction of government programs. Moreover, as members of this Committee can fully appreciate, after making wrenching budgetary decisions to curb the growth of the deficit, it is disheartening to find such efforts undermined by the unwelcome surprise of huge hidden costs. Tough budget decisions will continue to be even harder without better, more complete information on the costs and consequences of government programs and activities.

Next, in addition to shedding more light on the government's fiscal posture, audited financial statements have brought much needed discipline in pinpointing waste, mismanagement, and possible illegal acts and in highlighting the gaps in safeguarding the government's assets. For example, our financial audit found that people no longer serving in the Army were, nevertheless, paid over \$6 million because their names were not removed from active duty payroll files.

Third, CFO Act financial audits have identified actual and potential savings of hundreds of millions of dollars. For instance, at DOD alone over \$204 million was identified in potential savings from duplicate invoices and payments and avoided interest.

Finally, the financial audits are confirming just how little confidence the Congress and program managers can place in the information they now receive. We have identified hundreds of billions of dollars of accounting errors—mistakes and omissions that can render information provided to managers and the Congress virtually useless. Identifying and quantifying these inaccuracies is a necessary first step in improving the quality of information for legislative and executive decisionmakers.

This view was echoed by the CFO and inspector general (IG) communities. In commenting on the results of the CFO Act financial audits to this Committee, agency CFOs and IGs reported that the process of preparing and auditing financial statements brings much needed rigor to accounting and financial reporting and highlights where the real problems are. They also expressed their view that the full benefits of preparing and auditing financial statements are yet to be achieved.

The CFOs and IGs have concluded that the benefits of preparing and auditing financial statements far outweigh the costs. For fiscal year 1992, the Office of Management and Budget (OMB) and the agencies reported the cost of preparing and auditing financial statements under the CFO Act to be about \$111 million. These costs represent only about one-tenth of 1 percent of the total budget authority audited under the CFO Act. It is important to recognize also that many of these costs were for first-ever audits where onetime start-up costs were incurred. Based on our experience in performing major financial audits, we anticipate that the cost of these audits will decline over time.

Even in the short term, however, this first-year investment has paid handsome dividends. Overall, the benefits of CFO Act audits have overshadowed their costs. As with any well-operated enterprise, the investment in audited financial statements is an essential business practice. To assist the Committee, attached to this testimony is a detailed summary of the benefits and costs associated with financial statement audits under the CFO Act.

Expanding the Requirement for Audited Financial Statements

Section 16005 of H.R. 3400 would expand the existing requirement for agency level audited financial statements to all 23 CFO Act agencies. Presently, the act only requires agencies to prepare audited financial statements for commercial-type activities, such as credit and insurance programs, and for trust and revolving funds. Also, the act created a pilot program to test the viability of preparing and auditing financial statements for the entire operations of 10 major organizations. These pilots encompass a range of government activities from the Army and Air Force to revenue collection agencies—IRS and Customs—to cabinet departments such as the Departments of Housing and Urban Development, Labor, Agriculture, and Veterans Affairs.

CFO Act financial audits now cover only about 60 percent of the government's budget authority and relatively few agencies on an overall basis. As a result of the act's limited scope, major segments of the Federal Government's operations have not had the benefit of a financial audit, including

- over \$200 billion in Medicare and Medicaid benefit payments;
- about \$16 billion, or about 63 percent, of Energy's annual obligations accounted for by its integrated contractors;
- about \$90 billion appropriated to the Navy;
- about \$6 billion in Education's Pell grant programs; and
- more than \$11 billion, or nearly 90 percent, of the Department of Justice's budget authority.

To fill gaps such as these, we urge the Congress to enact the provisions of H.R. 3400 that expand audited financial statement requirements. Our support is based on the solid record of the CFO Act pilots, which have been tremendously successful. Many benefits we have highlighted today, and in previous testimonies before this Committee, have been generated from the pilot program. OMB's Director agrees with this assessment and reported to the Congress last November that the pilot program has been successful.

The concept of financial audits has also gained support from other agency leaders. For example, the IRS Commissioner expressed support for this concept last August in testimony before this Committee. She stated the following:

"First and foremost, based on our experience with the recent GAO audit, we believe that all government agencies should prepare annual financial statements and have them audited. Our experience has been that the benefits of systematically identifying problems and measuring progress are truly

significant. In addition, as I have stated earlier, the real value of audited financial statements is the comprehensive view they provide of the financial management issues that confront the IRS in effectively and efficiently running our operations."

Moreover, implementation of uniform requirements for audited financial statements has been a cornerstone of management improvement efforts of State and local governments and some other countries. State and local governments have found that mandated annual audited financial statements are important catalysts for achieving financial management improvements and for producing quality information to assist decision-making, provide basic accountability, and track progress. Governments in other countries who have undergone reinvention initiatives used this same model and made audited financial statements an essential part of the management process.

Similarly, the success of current U.S. management reform initiatives, such as the Government Performance and Results Act, will rest heavily upon having audited financial data. Under this act, it will be essential to have reliable financial information to fully assess the results of Federal programs and to establish future strategies.

While fully supporting Section 16005 of H.R. 3400, I suggest it be refined to make it clear the Congress expects that the major components of agencies will also have audited financial statements under the CFO Act. Within the Department of Defense, for example, it is critical for audited financial statements to be separately prepared for the Army, Navy, and Air Force. Examples of major components of other departments that should have audited financial statements include the Social Security Administration (SSA), IRS, and the U.S. Customs Service.

Many agencies are comprised of multiple components that are responsible for carrying out different missions, operate unique programs, and are managed as separate entities, some financially larger than most U.S. corporations. Separate financial statements for component-level entities are essential to providing relevant financial facts related specifically to their distinctive operations. To further clarify this point, we will work with OMB to provide the Committee a listing of agency components for which financial statements should be prepared and audited.

Also, we note that Section 16005 of H.R. 3400 moves forward the time frame for agencies to prepare and submit agency-level audited financial statements to OMB. The CFO Act presently requires the statements to be prepared and submitted by June 30; H.R. 3400 would require that agency-level audited financial statements be prepared and submitted by March 1. We believe that accelerating the CFO Act's time frame is essential so that audited financial statement information is available as early as possible to assist congressional budget deliberations.

Requiring Audited Governmentwide Financial Reports

The time has also come for an audited governmentwide financial report that would provide the Congress and the American public with a complete picture of where its government stands financially. Our Federal Government is the world's largest financial operation. Yet, it operates without ever knowing its overall financial status—a situation that would be short-lived in State and local governments or the private sector. Today, State and local governments have adopted, across the board, the concept of financial audits as a key management tool, and it is a common practice in corporate America. While its mission is vastly different, the Federal Government also has a responsibility to provide meaningful governmentwide financial reports.

Requiring governmentwide audited financial statements is another area where we and the administration agree. The NPR calls for a consolidated annual report on the finances of the Federal Government and established 1997 as the first year to have these statements audited. NPR also calls for the Department of the Treasury to prepare a simplified version of the consolidated statements—referred to as the "Annual Accountability Report to the Citizens"—for distribution to the public so that it receives an accounting of the moneys spent and its effects on achieving the government's goals.

With information that brings together in one place the results of operating each agency's program, decisionmakers would have the tools to (1) better understand the issues the government faces and the implications of past decisions and (2) better manage scarce resources once those decisions are made. The government cannot be counted on to make sound decisions in a financial information vacuum. To fill the void and make decisions in an informed manner, the right financial data must be in the hands of decisionmakers—the Congress and other top administration people—who are expected to make the hard choices affecting the lives and livelihoods of every American citizen.

In large part, the answer lies in having available agency-level financial statements, but the missing link continues to be financial statements that show a composite snapshot of financial results across government. Consolidated government-wide financial statements would provide a wealth of critical information about government that is not available anywhere else and that would go well beyond what would be prepared if the requirement for financial statements were limited to agency-level reporting.

The American public wants to believe in our government and trust its decisions. In the taxpayers' eyes, there is no substitute for accountability. Reliable consolidated governmentwide financial reports that are easy to understand could provide the high-level credible information needed to help restore confidence in government.

These annual reports, which GAO would audit each year, would provide needed information to the Congress and the executive branch in assessing the government's financial status. Among the questions that these reports could answer would be whether the government's financial position improved or deteriorated over the period and whether future budgetary resources are likely to be sufficient to sustain public services and meet future obligations as they come due.

We believe it would be best for this requirement to be anchored in legislation. While administrative requirements to prepare annual financial statements go back to the 1950s, the legal force of the CFO Act, together with the interest of this Committee, is what finally moved this effort ahead. Thus, in addition to the requirement for a permanent program of agency-level financial statements, it is important that H.R. 3400 be expanded to require annual audited governmentwide financial reports. We will provide the appropriate legislative language to the Committee should it choose to add this important requirement.

FRANCHISE AND INNOVATION FUNDS

Mr. Chairman, you also asked for my comments on Section 16003 of H.R. 3400, which would permit any executive agency, with the concurrence of OMB, to create franchise funds and innovation funds without further appropriation action by the Congress.

The proposals to establish franchise and innovation funds seek to advance—explicitly or implicitly—several goals: (1) to encourage the centralized provision of administrative support services where such centralization would increase efficiency, (2) to create competition in the provision of these services as a way of encouraging economies, (3) to promote increased user awareness of the cost of support services, and (4) to provide investment capital to improve administrative support services and management innovations in operational program areas.

Centralization, competition and cost awareness, and adequate capital for innovation could help the government use technology more effectively and strengthen and modernize its information systems and other support services. Unless ways are found to improve these basic underpinnings, the government will fall short of achieving many of the NPR objectives and curing some of the serious problems revealed by CFO Act audits. The government needs, and we have supported, centralized administrative support services and cross-servicing arrangements for common problems. Agencies should not have to develop independently, with their own separate resources, common systems and services. The government needs to find better ways to share and access scarce technical abilities.

However, in examining these specific proposals in Section 16003, three questions arise. First, how do these funding mechanisms compare to those already available to executive departments? Second, what is the likelihood that these budget mechanisms will achieve the objectives cited by NPR, OMB, and others? And, third, what implications do these proposals have for legislative oversight and control?

In response to the first question, the Congress has already created specific budgetary accounts that share the essential characteristics of the proposed franchise and innovation funds. Although they go by a variety of names—working capital funds, business operations funds, revolving funds—they are comparable in many respects to the funds envisioned in Section 16003 of H.R. 3400. They serve similar purposes, are available until spent, and are intended to be self-sustaining, relying on reimbursements by the users of the services. Reimbursements received by the funds are then available for use without further appropriation action.

Based on the work we have done to date, all executive departments already have the statutory authority to establish at least one budget account to support centralized administrative services on a reimbursable basis (the Departments of Education and Energy have not exercised this authority). In fiscal year 1992, the Department of Defense consolidated several industrial and stock revolving funds into the De-

fense Business Operations Fund, which had gross outlays in fiscal year 1993 of about \$53 billion.

In fiscal year 1993, the principal accounts serving non-defense executive departments had gross outlays of over \$2 billion dollars and showed varying patterns of use. Gross outlays and unobligated balances for these accounts have experienced average annual growth rates of 3.3 percent and 10.2 percent, respectively, since fiscal year 1981. In some cases, the accounts show negative growth rates for gross outlays or unobligated balances, or both, indicating reduced use over time by the department. Lastly, unobligated balances, which may be spent without further appropriation action, have grown as a percent of gross outlays from 6.4 percent in fiscal year 1981 to 13.9 percent in fiscal year 1993.

Addressing the second question, H.R. 3400 seeks to encourage the economic provision of services by promoting franchising of common administrative services, a concept we strongly support. Most of the existing accounts already have specific authority to provide such services to other units within their departments and to other Federal agencies. For example, the National Finance Center—supported by the Department of Agriculture working capital fund—provides a variety of centralized administrative systems and services (e.g., payroll, personnel, supply, inventory, property, and travel) both to its parent agency and to others, including GAO and the Departments of Treasury and Justice.

Although our study of these funds has not been completed, an initial review of numerous financial audits and GAO and IG reviews indicate that some of these funds have not been operated very well. In some instances, poor operation of the funds has contributed to losses. These losses result in the need for additional subsidies, either (1) through current or future appropriations, which suggests that these funds are not self-sustaining, or (2) by charging higher fees or prices for the services provided, which can inhibit the capacity of the funds to effectively compete. Some funds, however, seem to be operating as expected. A more detailed assessment, though, is needed to determine whether these existing funding mechanisms have the potential to achieve the objectives associated with the proposed franchise and innovation funds or whether other approaches need to be devised.

This brings us to the third—and perhaps most important—question: What implications do the proposals in Section 16003 have for legislative oversight and control? The H.R. 3400 proposals contain several provisions which would fundamentally alter legislative/executive relationships.

- First, both the franchise and innovation funds could be created at the discretion of an agency head, with the concurrence of OMB. No further congressional action would be required.
- Second, the funds would be capitalized during their first 3 years by the transfer of up to 50 percent of the unobligated balances of annual appropriations—“salary and expense” appropriations for franchise funds and “other than salary and expense” appropriations for innovation funds. Money transferred under this authority would otherwise be in expired accounts and unavailable for new obligations. This blanket transfer authority would allow the executive branch to move funds from one purpose to another and convert these funds to no-year money available for obligation without time limitation.
- Third, in the case of franchise funds, the fund would be allowed to recover the actual costs of operation and “to maintain a reasonable operating reserve, as determined by the head of the agency.” Thus, the executive branch determines how much money the fund will earn and how much it will accumulate over time.

The goals articulated for the franchise and innovation funds are laudable. I certainly believe the government must find ways to encourage and finance efforts to reduce the cost of delivering government services. However, it is unclear why existing working capital funds, or other similar budgetary mechanisms, could not be used to fund agency efforts to improve administrative efficiency or promote innovations.

Our preliminary work suggests that these existing mechanisms are providing such services but are also experiencing persistent problems, especially with respect to being fully self-sustaining. Allowing these funding mechanisms access to otherwise expired budget authority, as proposed for franchise and innovation funds, would raise serious questions for legislative oversight and control and be a significant departure from current account closing procedures.

Before enacting government-wide legislation to create franchise and innovation funds, there needs to be a thorough examination of existing funds and how they work. This analysis would provide information concerning what, if any, changes in the structure and authorities of these accounts may be needed to advance the NPR objectives while addressing issues associated with congressional oversight and con-

trol over appropriated funds. Possible alternatives approaches include (1) continuing the practice of providing for such funds in specific departments and agencies with congressional participation, and (2) providing funds to central agencies to be used to achieve the goals set out by the NPR such as common systems and cross servicing.

ADDRESSING OTHER H.R. 3400 FINANCIAL MANAGEMENT IMPROVEMENTS

H.R. 3400 proposes several other financial management provisions. Through these provisions, the administration seeks to (1) increase the use of technology for financial services, (2) increase the collection of debts owed the government, and (3) streamline management and financial reports.

Using Electronic Technology for Certain Payments

Section 16002 of H.R. 3400 would require electronic funds transfer of Federal wage, salary, and retirement payments unless the recipient or agency head explicitly requests an exception. The requirement applies only to recipients whose payments begin on or after January 1, 1995. The NPR proposed that this be done to increase the use of technology to streamline financial services.

We strongly agree that substantial benefits are to be gained through the increased use of technology in financial operations, including electronic funds transfers, and fully support the increased use of technology where feasible. Many recipients of the payments specified in H.R. 3400 already use electronic funds transfers as an efficient and effective payment method. Also, many other types of payments can and are being made through electronic funds transfers, including payments between agencies and to state and local governments.

Strengthening Debt Collection Procedures

In the past, we have supported legislative action to enhance agencies' credit management and debt collection programs. Along these lines, H.R. 3400 contains a series of technical clarifications to improve debt collection and related practices.

- Section 16010 would require agencies to adjust civil monetary penalties for inflation by September 30, 1994, and at least once every 4 years thereafter. We believe this proposal has considerable merit and note that the Congressional Budget Office estimates this action would produce \$54 million in revenues.
- Section 16009 would eliminate a requirement of the pilot program to use private attorneys to collect debts owed to the government as authorized by the Debt Collection Amendments Act of 1986 (Public Law 99-578). The pilot extends through fiscal year 1996 and requires the Attorney General to use "best efforts to" contract for legal services with at least four firms in each judicial district participating in the program. Because the volume of debt cases under the program has declined, the judicial district requirement has affected the program's profitability to private attorneys and their willingness to participate in the pilot program. Section 16009 proposes eliminating the prescribed minimum number of contracts. We agree with the thrust of this proposal, which would allow the Attorney General flexibility to contract with private attorneys commensurate with the volume of debt cases involved.
- Under present law, when Treasury reduces a tax refund to satisfy a debt to another agency, Treasury is required to notify the agency of the debtor's home address. Section 16008 would change this to require Treasury to notify the agency of the debtor's mailing address. We endorse this action as a means of assisting agencies in better managing credit program operations.

There are some issues presented by two other debt collection provisions which I would like to briefly discuss. First, Section 16006 provides some authority for debt collection activities to be funded by revenues from collections. This section would authorize agencies to retain up to 1 percent of delinquent debts collected in a fiscal year and up to 10 percent of any "sustained annual increase in delinquent debt collections" (as defined by OMB) to enhance debt collection activities. The amount an agency actually would be able to retain and use would be determined by appropriations acts. Section 16006 does not apply to debt collection involving the Department of Justice. In the past, we have suggested that the Congress consider providing this type of incentive to agencies to improve debt collection practices and systems. However, we are concerned that agencies will not have accurate baseline data from which to determine the first "sustained increase in delinquent debt collections."

Second, Section 16007 would extend existing authority in the Debt Collection Act of 1982 that allow agencies to contract for debt collection services to the Customs Service for debts owed under the tariff laws and to SSA for debts owed by persons not receiving benefits under the Social Security Act. Our financial audit of the Cus-

toms Service addressed the need to lift the legislative restriction on the Customs Service's use of collection agencies to collect amounts owed to the government, which the Debt Collection Act authorizes other agencies to use.

Also, Section 16007 would extend existing authority to exchange information with consumer reporting agencies when trying to collect claims by the government to claims under the tariff laws and the Social Security Act. We have reported that SSA has not used consumer credit bureaus to locate former beneficiaries who owe debts to SSA because claims under the Social Security Act are presently excluded from some Debt Collection Act provisions. Unlike the proposed changes regarding the use of collection services, the proposed change regarding the use of consumer reporting agencies would appear to apply to claims against persons receiving benefits under the Social Security Act.

Simplifying the Management Reporting Process

Sections 15001 and 16004 authorize OMB to publish recommendations annually in the budget for consolidating, eliminating, or changing the due dates and frequency of statutorily required periodic general management and financial management reports. This would apply to agency reports to OMB or the President, as well as executive branch reports to the Congress. In preparing the recommendations, OMB would be required to consult with the appropriate congressional committees. The Congress would have to enact the recommendations into law for any changes to occur. The intention is to provide flexibility to OMB on the timing of management and financial management reports and permit OMB to eliminate, consolidate, or modify mandated reports that may be outdated, duplicative, or inefficient.

These sections of H.R. 3400 are generally consistent with our view that management and financial reports should be consolidated and streamlined where needed in order to promote more useful and meaningful reporting. We understand the Committee staff is working with OMB to allow a period of time to develop consolidated reports that improve the government's management and financial reporting structure without sacrificing valuable statutory and other required information. We encourage this approach, which would give OMB temporary flexibility to make meaningful reporting changes.

Regarding the simplification of the financial reporting process, the NPR recommends that agency heads be required to provide two reports annually—a planning report and an accountability report—and that any future financial management reporting requirements be addressed in either of these two reports. While H.R. 3400 does not specifically address these kinds of reports, we strongly support financial planning and accountability reporting as the cornerstone of improved Federal financial reporting.

We would emphasize, however, the importance of ensuring that any financial reporting changes OMB might propose be consistent with the *Objectives of Federal Financial Reporting* adopted by the Director of OMB, the Secretary of the Treasury, and the Comptroller General. These objectives focus on accountability and performance reporting for both internal and external users. They were developed by the Federal Accounting Standards Advisory Board (FASAB), established by OMB, the Treasury, and GAO.

ADDRESSING HUMAN RESOURCE MANAGEMENT ISSUES

Several sections in H.R. 3400 and the NPR report relate to how the Federal Government manages its human resources. The issues raised in those documents range from how many positions the Federal Government needs to do its work to the degree of centralization needed to direct human resource policies.

One provision in H.R. 3400 would accomplish a widely discussed NPR objective—cutting the Federal workforce by 252,000 positions over 5 years. Section 8002 of the bill limits the number of full-time equivalent (FTE) positions in the executive branch in fiscal years 1994 through 1998. By the end of this period, the number of FTE positions would be directed not to exceed 1.851 million—the lowest number of executive branch positions in nearly 30 years.

The bill does not specify how these FTE cuts are to be achieved. Three standard approaches have been used in the past to reduce the size of the workforce—a hiring freeze, a reduction in force, or early retirement. Recently, the Department of Defense and other agencies (including GAO) have been given the authority to offer cash payments to employees who leave voluntarily. Both the House and the Senate have recently passed legislation to extend these “buyouts” to other agencies. Differences in these bills will need to be resolved before the legislation can be sent to the President.

While I support efforts to move to a smaller, more efficient government, I strongly recommend that staff reductions be made in a strategic, well thought out manner. The fiscal year 1995 budget submitted by the administration does not impose across-the-board reductions but instead targets work force reductions on an agency-by-agency basis. For example, although the budget proposes that civilian employment in the executive branch as a whole decline by 5.5 percent between 1993 and 1995, the Federal Deposit Insurance Corporation and the Resolution Trust Corporation's (RTC) workforces are scheduled to decline by nearly 30 percent. This reduction is at least partly because RTC is scheduled to go out of existence in 1995. Likewise, the number of positions in the Defense Department is slated to decline by over 8 percent during this period, accounting for nearly 65 percent of the government-wide 118,300 FTE reduction. On the other hand, some agencies, such as the Department of Justice and EPA, are scheduled to increase their FTE levels between fiscal years 1993 and 1995.

While not reflected in the budget, I believe similar targeting of FTE reductions is needed at the sub-agency level and by occupational category. It is very important that agencies develop well conceived implementation plans to achieve the necessary reductions with minimal impact on agency and program effectiveness. Mechanical across-the-board reductions within agencies can seriously diminish their capabilities to manage resources more productively and deliver services to the public. In sum, the movement to a smaller, more efficient government should be managed carefully, strategically, and rationally.

To be truly effective, changes in Federal workforce levels should be carried out in tandem with other management improvement efforts. For example, agencies' reassessments of their missions pursuant to the Government Performance and Results Act may result in changes in organizational structures, reengineering of work processes, and greater use of information technology. These improvements can also affect staffing needs. For example, reductions in the number of positions proposed by the Departments of Agriculture and Housing and Urban Development are expected to be made largely as a result of changes in the departments' regional and field structures. Staffing cuts in other agencies may be made possible through greater use of electronic funds transfers, consolidating and modernizing data processing centers, and other uses of currently available technologies.

Another issue is that many of the NPR report's recommendations regarding Federal human resources issues call for Federal agencies to assume more responsibility for managing their human resources without central guidance from the Office of Personnel Management (OPM). This theme runs throughout the report, as seen in proposals to give agencies much greater autonomy in recruiting and hiring, determining position classifications and pay rates, and developing incentive award and bonus systems. The proposals also specifically call for redefining OPM's role in human resources management, including delegating its operational work to the agencies. As I said in my testimony last month, these sweeping proposals, while controversial, offer excellent opportunities for serious debate and deliberation.

We agree with the basic premise that agencies should be given the flexibility to manage their own operations to the greatest extent possible. However, it is also clear that many of the requirements that have constrained agency flexibility were the result of legislation that was enacted to support broad national goals such as equal employment opportunity, veterans preference, and merit selection. If agencies are to be given increasing autonomy in managing their human resources, the Congress will need some mechanism for assuring that the legislation and regulations in which these goals are embodied are properly implemented. We strongly believe that this mechanism should aim to assist, not encumber, Federal agencies in accomplishing their missions.

Mr. Chairman, this concludes my statement. The time is right to move to a smaller, more efficient, and results-oriented government. Through the management related sections of H.R. 3400, the administration is trying to change the way the government is managed, and I am very supportive of this broad objective. To help make this goal a reality, I want to reiterate my strong belief in the need to expand the requirement for audited financial statements to all agencies covered by the CFO Act, and for the government as a whole, and to address human resource management issues in a strategic, well thought out manner. I will now be glad to answer any questions the Committee may have.

ATTACHMENT

CFO ACT IMPLEMENTATION: PROGRESS AND BENEFITS TO DATE

The Chief Financial Officers Act of 1990 (CFO Act) ushered in a new era of more effective financial management and increased accountability for the Federal Government. Through the act's provisions, the Congress sought to bring about the reporting of more accurate and credible financial information by strengthening the Federal Government's systems, controls, and accountability structures relied on to account for and control hundreds of billions of dollars. In this respect, one of the act's key provisions required selected organizations to prepare and have audited new broad financial management reports. More specifically the act required:

(1) Ten "pilots" to prepare annual financial reports on the overall status of their operations. These are:

- Departments: Agriculture, Labor, Veterans Affairs, and Housing and Urban Development;
- Military Services: Army and Air Force
- Agencies: Social Security Administration, General Services Administration, Internal Revenue Service, and U.S. Customs Service;

(2) Other CFO Act departments and agencies to prepare annual financial reports on their revolving funds, trust funds, and commercial-type operations; and

(3) The cognizant inspectors general (IGs), or the Comptroller General at his election, to audit the organizations' annual financial reports.

PILOT AUDITS SIGNIFICANTLY INCREASED COVERAGE OF FEDERAL OPERATIONS

The CFO Act significantly increased audit coverage of Federal activities. For example, prior to the act, financial statements for the government's primary revenue generating agencies, the Internal Revenue Service (IRS) and the U.S. Customs Service, which collect an estimated \$1.1 trillion annually, were not subject to audit. Further, as shown in figure 1, only a small portion of Federal spending was audited prior to the CFO Act. More than half of the 23 CFO Act agencies did not have any funds subject to such assessments.

In contrast, figure 1 also shows that after the act's passage, the percentage of budget authority covered by audit requirements almost doubled. This was primarily due to the 10 pilot audits which covered 49 percent of the 23 CFO Act agencies' budget authority in fiscal year 1992. By contrast, audits for revolving funds, trust funds, and commercial activities in these and the other 13 organizations comprised less than 11 percent of the government's budget authority.

FINANCIAL AUDITS UNDER THE CFO ACT PROVIDE BROADER SCOPE AND COVERAGE

The scope of audits performed under the CFO Act go far beyond traditional verification of amounts reported in the financial statements. These audits have broad objectives of ensuring full financial accountability and assisting the Congress and Federal managers in carrying out their responsibilities by (1) providing reliable and useful information on Federal operations, and (2) helping improve a broad range of internal controls and underlying financial management systems. The Federal Government operates in an environment in which public officials, legislators, and private citizens want, and are entitled, to know not only whether government funds are handled properly and in compliance with laws and regulations, but also whether government entities are achieving the purposes for which they were authorized and funded.

To assist in meeting such objectives, the Office of Management and Budget (OMB) issued guidance on the form and content of Federal financial statements. The guidance requires the following:

- An overview of the reporting entity which provides a clear and concise description of the (1) department or agency, (2) its mission, activities, accomplishments, and (3) its overall financial results and condition. This would include information on whether and how the entity's mission is being accomplished, and specific performance measures showing whether program results are achieving desired outcomes. It would also describe what actions, if any, are needed to improve program and/or financial performance.
- Principal statements consisting of statements of financial position, operations (and changes in net position), cash flows, and budgetary resources and actual expenses, accompanied by notes to the principal statements which disclose what is necessary to make the principal statements fully informative.
- Consolidating/combining statements, where feasible and appropriate, which display the information presented in the principal statements according to major programs, activities, or funds.

—Supplemental financial and management information, where appropriate, which (1) supports information presented in the overview of the reporting entity section, (2) provides information that was not considered appropriate for inclusion in the notes to the principal statements, and (3) offers information that may enhance understanding the financial condition and operations of the reporting entity.

In addition, OMB has issued guidance on auditing Federal financial statements that requires that auditors go beyond issuing an opinion only on the financial statements by reporting on the entity's (1) internal control structure and (2) compliance with laws and regulations. Because of the Federal Government's stewardship responsibilities to its citizens, this guidance emphasizes highlighting internal control problems and assessing how well organizations comply with applicable laws and regulations in delivering services to the American taxpayer.

Further, to help achieve the goals of the CFO Act, we believe the auditor should go beyond the existing audit guidance and determine the affects of any misstatements and internal control weaknesses on (1) the operations of the organizations and (2) the overall accuracy of other financial information—including budgetary and related program information—submitted to the Congress and other decisionmakers. In addition, unlike traditional private sector audits, we believe Federal audits should identify the root causes of significant internal control weaknesses found and propose specific actions for correcting them, thus helping to improve operations and financial management.

For example, GAO's audit of the U.S. Customs Service's fiscal year 1992 financial statements determined that internal controls over seized assets were ineffective and that millions of dollars in cash and luxury items and tons of seized illegal drugs were vulnerable to theft and misappropriation because Customs did not adequately safeguard this property. As a result of the extent of our audit work, we were able to describe to Customs the root causes for these conditions and to recommend specific corrective actions, thus empowering Customs to more readily move to resolve these problems.

In enacting the CFO Act, the Congress clearly recognized the Federal Government's unique environment where broader financial audit requirements are critical to protecting Federal funds and other resources and to providing useful information to decisionmakers. These audits should greatly enhance the ability of Federal managers to carry out their assigned missions in a way that (1) assures proper accountability over the resources managed, (2) moves toward more economical and efficient operations, and (3) recognizes costs and measures performance.

CFO ACT-MANDATED AUDITS HAVE RESULTED IN MANY BENEFITS

Preparing and auditing the broader financial reports required by the act have highlighted the magnitude of the Federal Government's financial responsibilities and have resulted in a better understanding of the government's overall financial condition. So far, the CFO Act-mandated audits have shown that significant improvements in accounting systems, controls, and procedures are essential if the Federal Government is to effectively control its costs, reliably measure and evaluate its performance, and implement today's urgent calls for broader management improvements. The recently completed National Performance Review noted that "vastly improved financial management is critical to the overall effort to reform government . . ." and, even more tellingly, "Management isn't about guessing, it's about knowing. Those in positions of responsibility must have the information they need to make good decisions."

As discussed in the following sections, the CFO Act has resulted in

- significantly more accurate and useful information on the government's financial status and its operations;
- a better understanding of the limited extent to which the Congress and program managers can rely on the financial information they receive;
- substantial savings of resources through recovery of funds due the government, and more efficient use of funds;
- an understanding of the extent and pervasive nature of the internal control and financial management systems problems facing the government; and
- improvements in management's accountability for, and focus on, strong financial management, including the need for effective controls and systems.

More Accurate Information on the Government's Financial Condition and Results of Operations

As discussed in my January 27, 1994, testimony before this Committee, our CFO Act-mandated audits of the IRS and the U.S. Customs Service disclosed that the government has little assurance that it is collecting all the money it is due, or accu-

rately accounting for the estimated \$1.1 trillion it does receive annually. For example, GAO's audits showed that:

- According to IRS's books, the government was owed \$110 billion in delinquent taxes and could expect to collect about \$30 billion of this amount. However, only about \$65 billion was actually owed and, of that amount, IRS could expect to collect only about \$19 billion.
- Because of accounting weaknesses, IRS cannot determine the amount of tax revenues that should be accrued to the excise tax trust funds. Consequently, general fund tax dollars have to be used to subsidize these funds, giving decisionmakers the impression that excise taxes are generating more revenue than they actually do. Over the past several years, such subsidies may have totaled several billion dollars.
- The Customs Service had little assurance that the government was receiving all duties it was owed because of poor controls over inspections, and overreliance on voluntary reporting by brokers and importers. Weak controls increase the potential for lost revenue and heighten opportunities for drugs and other contraband to illegally enter the United States. In response to our findings, the Customs Service is now reassessing its compliance and collection strategies.

CFO Act-mandated financial audits also have improved available information on costs the government can expect to incur in the future. Without accurate and complete cost estimates for program operations, decisionmakers—including the Congress—do not have the information necessary to make fully informed decisions. In this respect, CFO Act-mandated audits have highlighted, in some cases for the first time, billions of dollars in liabilities and potential losses to the government, which will eventually require the Congress to approve funding. For example:

- An estimated \$190 billion in liabilities for veterans compensation and pension benefits were highlighted as a result of a CFO Act-mandated financial audit of the Department of Veteran Affairs.
- Liabilities estimated at \$122 billion for Federal employee post-retirement health benefits were highlighted by a CFO Act-mandated audit at the Office of Personnel Management (OPM).
- Unfunded liabilities of over \$14 billion for the Federal employees workman's compensation act program were identified by a CFO Act-mandated audit of the Department of Labor.
- An estimated \$18 billion in potential liabilities associated with hazardous waste disposal and cleanup at Army installations were disclosed by a CFO Act-mandated audit of the Department of the Army.
- An estimated \$13.7 billion in liabilities for loan defaults and interest subsidies were disclosed by an audit of the Department of Education's guaranteed student loan program.
- About \$3.2 billion in accumulated losses for the Department of Agriculture's Federal Crop Insurance Corporation were identified as part of its audit.
- Increasingly greater projected losses were uncovered at the Federal Housing Administration, with the 1992 financial audit reporting an estimated \$15 billion loss.
- An estimated \$3 billion shortfall in the Department of Education's projected program costs for fiscal years 1992 and 1993 were identified by GAO's financial audit.

Conversely, the CFO Act-mandated audit at OPM showed that the government's liabilities of \$684 billion for retirement and life insurance programs were actually about \$54 billion less than reported by OPM.

Financial Information Used By Decisionmakers Has Limited Reliability

The financial audits performed pursuant to the CFO Act have confirmed that the Congress and program managers can place little confidence and reliance on the information they now receive. We have identified hundreds of billions of dollars of accounting errors—mistakes and omissions that can render information provided to managers and the Congress virtually useless. For example:

- A fiscal year 1991 financial audit of the Army disclosed that
 - adjustments totaling almost \$95 billion were needed to correct errors in reported financial data;
 - reported financial data excluded almost \$11.3 billion in government-furnished property and \$400 million in cash on-hand;
 - the value of equipment, such as tanks and helicopters, reported at \$151 billion, could not be verified; and
 - about \$18 billion of ammunition inventory held in central storage areas at installations was not recorded in the accounting records.

- A fiscal year 1992 financial audit of the IRS disclosed that
 - approximately \$4.3 billion of \$6.7 billion in reported expenditures for the year could not be verified;
 - seized assets reportedly valued at \$797 million could not be verified; and
 - while financial reports included \$282 million as the value of the agency's property and equipment, budgeted acquisitions for these items for the last 3 years alone were over \$450 million.
- A fiscal year 1992 financial audit of the Customs Service disclosed that
 - Customs made over 180 adjusting entries, amounting to billions of dollars to its financial statements. However, Customs could not support or explain many of these entries and some of the balances in the statements were forced. For example, neither the core accounting records nor the subsidiary records supported Custom's reported operating net financial position of about \$1.3 billion; this figure was an unsupported "plug" entry to make the Consolidated Statement of Financial Position balance.
- Reported accounts receivable did not include an indeterminate amount of unpaid fines and penalties.
 - Property reportedly valued at \$9 million could not be verified and many reported equipment values were based on estimates.
 - The accuracy of \$72 million for intragovernmental receivables, including \$307 million in reimbursable services and user fees, could not be verified.
- A fiscal year 1992 financial audit of the Department of Education's Federal Family Education Loan Program disclosed that
 - a \$1.1 billion adjustment, of which \$433 million could not be supported, was recorded to make the amount of cash reported at the beginning of the fiscal year coincide with Treasury's balance;
 - the appropriated capital account had a recorded balance of \$15.2 billion at the close of fiscal 1991, when the balance should have been about \$50 million; and
 - a refunds receivable account was overstated by more than \$250 million as of September 30, 1992.

Identifying and quantifying such errors is an essential first step to improving data furnished to managers and the Congress.

Savings, Recoveries, and More Efficient Uses of Funds Are Being Realized

The CFO Act-mandated audits have resulted in actual and potential savings of hundreds of millions of dollars. These savings are derived from increased collections, decreased spending, and resources being used more efficiently. Some examples follow.

- Customs efforts to revamp its debt collection efforts resulted in the reported collection of over \$31 million of severely delinquent debt. This more proactive collection approach has the potential for garnering hundreds of millions of dollars in additional collections.
- The Department of Education recovered \$1.3 million in moneys incorrectly paid to two guaranty agencies which were identified as a result of the fiscal year 1992 financial audit of the Federal Family Education Loan Program.

In addition, the President's Council on Integrity and Efficiency (PCIE) reported¹ the "following actual and expected savings in its August 1993 report:

- About \$24 million in overpayments by the Air Force to its contractors were identified and are expected to be recovered as a result of financial statement audits.
- About \$11 million in duplicate payments were identified and are in the process of being recovered as a result of a DOD Inspector General financial audit of the Commissary Resale Stock Fund.
- An estimated \$15 million in annual savings are expected to be realized as OPM improves its process for managing public accounts receivable by implementing financial audit recommendations.

Agencies also are benefiting from the financial audits through the identification of resources that could be put to better use. For example, in August 1993, the PCIE reported² to the following.

¹ Task Force on Improved Financial Management and Implementation of the Chief Financial Officers Act, special PCIE project to compile data related to the audit of financial statements, August 1993. The PCIE is a council consisting of Federal agency inspectors general.

² Task Force on Improved Financial Management and Implementation of the Chief Financial Officers Act, PCIE.

- The DOD Inspector General identified an estimated \$200 million in invalid outstanding obligations related to DOD's fuel contracts. These funds should have been deobligated and used for other necessary purposes.
- Naval Audit Service fiscal year 1992 financial audits identified approximately \$98.3 million in invalid Military Sealift Command obligations, and an estimated \$51.1 million in invalid Navy Defense Business Operations Fund real property maintenance and repair obligations, which should have been deobligated and put to better use.
- The Army Audit Agency found that Army depot maintenance activities had an estimated \$13.7 million in surplus funds accumulated through excessive charges to their customers. These excess funds are to be returned to the activities' customers in the form of lower costs for services.

Audits Surfaced Opportunities to Strengthen Internal Financial Controls and Systems

The financial audits performed under the CFO Act have portrayed a truer picture of the extent and nature of internal control and financial management systems problems facing the Federal Government. Our work has shown that faulty, poorly functioning financial controls and accounting systems are a primary obstacle to agencies effectively controlling and managing their financial operations. This conclusion was also reached by a PCIE task force on improved financial management and implementation of the CFO Act. Specifically, the task force reported³ that

"[T]he poor condition of the financial management systems was the greatest difficulty in auditing the financial statements; and the foundation for deterring fraud, waste and abuse starts with cleaning up the financial management systems of the Federal Government and ensuring the existence of adequate internal controls. Financial statement audits help to impose a discipline that should improve the accuracy of the data within the Federal Government's information systems. The knowledge that an annual audit will occur forces management to focus attention on problem areas sooner than they otherwise may have done. The result will not only be accurate financial statements but improved financial systems which produce accurate financial information needed by policy and decisionmakers on a daily basis."

The process of preparing and auditing financial statements has resulted in identifying significant internal control and systems deficiencies which were not previously disclosed in organizations' annual Federal Managers' Financial Integrity Act (FMFIA) reporting to the President and the Congress. For example, GAO's audits of IRS, Customs, the National Aeronautics and Space Administration (NASA), and DOD identified the following internal control weaknesses that can now be systematically tracked and monitored for correction as part of the organizations' FMFIA processes.

- IRS did not disclose material internal control weaknesses in three major areas concerning revenue accounting and reporting, management of operating funds, and reporting and safeguarding of seized assets. GAO also found that IRS' reporting did not disclose the full extent of the weaknesses facing the agency.
- Five additional areas of internal control and accounting deficiencies were identified at Customs, covering such important areas as seized property, revenues, budgeting, fixed assets, and procurement. In addition, GAO's audit disclosed that Customs did not accurately disclose the severity of the weaknesses it reported.
- NASA did not accurately characterize or fully disclose extensive internal control and accounting system weaknesses that seriously weakened the agency's ability to safeguard, manage, and control billions of dollars in resources. These weaknesses included inadequate budgetary controls, deficient controls over contractor-held property, and unreliable accounting systems and financial reports.

With respect to DOD, on April 27, 1993, we reported to the Secretary of Defense that the conclusions presented in his department's fiscal year 1992 FMFIA report were at variance with the findings of GAO and other auditors. Specifically, we noted that the department's FMFIA reporting did not adequately highlight longstanding management, internal control, and accounting system deficiencies that weaken

³Task Force on Improved Financial Management and Implementation of the Chief Financial Officers Act, PCIE.

DOD's ability to safeguard, manage, and control the hundreds of billions of dollars of resources entrusted to it.

Examples of additional areas in which CFO Act-mandated audits served to focus attention on control and systems problems follow:

- GAO's IRS audit disclosed weaknesses in the agency's EDP security controls over revenue which include access to taxpayer information and administrative accounting systems used to account for appropriated funds. The audit process reiterated weaknesses that permitted some IRS employees to access income tax information of friends, neighbors, and prominent individuals. IRS is presently focusing on fixes to problems involving unauthorized access to taxpayer information and serious weaknesses regarding the use of its appropriated operating funds that have led to (1) unreconciled differences between its records and Treasury's cash records, unresolved discrepancies and transactions in suspense accounts, and (3) duplicate and other inappropriate payments to contractors.
- GAO's financial statement audit at the Department of Education revealed the extent to which the department was highly dependent on third party guaranty agencies over which it had little control. As a result, the Department could not ensure that billions of dollars in payments made annually to guaranty agencies and lenders were proper, or that financial information on guaranteed student loan program operations was accurate.
- GAO's report on its fiscal year 1992 audit of the Department of the Army disclosed that Army personnel received unauthorized payments of over \$6 million because of lapses in internal controls.
- GAO reported that Navy internal control weaknesses resulted in over \$12 billion in unmatched disbursements. Unmatched disbursements can be compared to writing checks but not knowing which bills they paid. At the time we reported Navy's \$12 billion problem, Defense acknowledged that the total amount of Defense disbursements not properly matched to obligations was about \$41 billion.

In addition, certain controls to protect billions of dollars of assets have been improved as a result of CFO Act-mandated financial audits. For example:

- A financial audit of the Army identified millions of dollars of weapons and equipment, such as expensive helicopter engines and transmissions, that were not properly stored to prevent extensive corrosion which would result in significant repair costs. Since this problem was reported, DOD relocated such assets to protective environments. Also, Defense Logistics Agency personnel are now reviewing all storage decisions to ensure that expensive, fragile, and highly corrodible items are protected against the elements. In addition, as a result of the audit process, DOD's management has initiated actions to improve the accuracy of data recorded in Army's systems related to the types, quantities, and locations of equipment, to better ensure that the government's resources are adequately protected.
- A financial audit of Army revealed that the Army Material Command, which accounted for about \$29 billion of the Army's disbursements in fiscal year 1992, did not retain key financial records needed to support balances shown in the Army's budget execution system. According to Army officials, records for all transactions are now being retained.

GREATER MANAGEMENT ACCOUNTABILITY AND FOCUS ON FINANCIAL MANAGEMENT

It is also important to recognize that the process of preparing financial statements for audit results in numerous benefits which are difficult to quantify, but are nonetheless quite significant. In this regard, the CFO Council—a group composed of agency CFOs and top OMB and Department of Treasury officials—reported in August 1993 that

"The most frequently reported benefits of preparing audited financial statements are the experience itself, lessons learned from the process, and the discipline of the financial statement preparation effort. Other benefits often mentioned are identification of previously unrecorded or improperly valued assets and liabilities, improved internal controls, improvement in the integrity of financial data, a recognition of the need to correlate proprietary and budgetary accounts, an improved awareness of the need to value ambiguous or indeterminate classes of assets and liabilities, a heightened awareness of financial management and accounting problems, closer working relationships between the CFOs and the IG's, direction provided to the FASAB in developing needed standards for certain classes of assets and liabilities and

an increased awareness of the impact of program managers' resource allocation decisions."⁴

One of the more salient benefits of financial statement audits is the increased emphasis on establishing more disciplined processes and controls that will improve Federal operations. For example, in preparing the Army's financial statements, the Defense Finance and Accounting Service made adjustments of about \$250 billion and \$93 billion, respectively, to the agency's financial records for 1991 and 1992. In addition, the PCIE reported⁵ that the Department of Labor financial statement audits have shown their value as a mechanism to discipline underlying systems and that the Environmental Protection Agency foresees enhancing its accounting systems to provide project cost data needed to develop performance measurement information for reporting under the act.

The act also has focused the attention of Federal managers at all levels on the need to upgrade the government's basic infrastructure for developing financial information, and on controlling financial resources entrusted to them. For example, the Internal Revenue Service launched a major effort to analyze its operations in order to identify and define the costs associated with specific functions and activities, such as processing tax returns at different locations. Ultimately, the Service's leadership plans to implement "activity based" cost accounting systems, a cost management concept coming into increasing use in governments and in leading private sector organizations. Similarly, financial audit results have helped focus DOD's attention on the need to reengineer its business practices and develop integrated, department-wide systems to replace the multitude of disparate, non-integrated systems which have developed over time, and which lack any coordinated focus or central control.

In addition, the Army's top leadership has undertaken substantial efforts to increase the agency's emphasis on improving its financial management systems and controls as a result of GAO's financial statement audits. A series of communications from the Office of the Secretary of the Army to commanders in the field have underscored the need to give priority to maintaining effective management controls. Most recently, a January 1994 memorandum from the Under Secretary of the Army to major field commanders concluded that

[S]afeguarding America's resources is our responsibility. This ethic must become second nature to every commander and manager. Mission accomplishment depends on it. Effective management controls are the tools we must use in this endeavor. Our challenge is to be worthy of the taxpayers' trust and to make the most of our scarce resources by demanding an environment of empowerment and accountability which results in effective management controls . . ."

Another significant benefit of the act that cannot be readily measured is that the audits help prevent fraud, waste, and mismanagement that might otherwise occur. The absence of an audit requirement creates, at a minimum, the perception that fraud, waste, and mismanagement may go undetected. This perception occurs because the public, agency personnel, participants and beneficiaries of Federal programs, and others become aware that all too often no one verifies that reported information is reflective of the events that actually occurred.

CFO ACT IMPLEMENTATION COSTS

The total reported costs of the CFO Act requirement for the preparation and audit of financial statements for fiscal year 1992 were estimated to be about \$111 million. These costs are expected to decline as systems and controls improve, and the agencies' personnel gain more experience in preparing financial statements. Most of these costs were recently reported by OMB, which recognized some difficulties inherent in accumulating such costs. OMB stated that:

"First, the data in each agency generally come from different data bases. Second, the activities for the preparation and audit of financial statements for a fiscal year occur in that fiscal year and the next fiscal year. Third, much of the CFOs' costs to meet this statutory requirement are not new costs. CFOs are responsible for maintaining their agencies' financial data and preparing financial statements, regardless of the statutory requirement for audited financial statements."

⁴Information on Preparation of Auditable Financial Statements for Fiscal Years 1990, 1991, and 1992, CFO Council Operating Group's Committee on Financial Statement Preparation and Audit, August 27, 1993.

⁵Task Force on Improved Financial Management and Implementation of the Chief Financial Officers Act, PCIE.

Figure 2 shows the costs of preparing fiscal year 1992 financial statements and performing the related financial statement audits for each of the 10 pilot agencies, and for over 150 revolving funds, trust funds, and commercial activities covered by the act.

The total costs of preparing fiscal year 1992 financial statements and performing the related audits were only about one-tenth of 1 percent of total budget authority audited.

Costs Are Expected to Decline

Future declines are expected in the costs of preparing and performing audits of Federal financial statements based on historical audit experience in both the public and private sector. Some of these costs have already declined based on recent reports by Inspectors General and Chief Financial Officers. The PCIE's August 1993 report by the Inspectors General States that

"[T]he first year or two of an audit traditionally costs more than subsequent years because the auditor must obtain an understanding of the reporting entity's operations, identify the controls in place, and establish reliable beginning balances. Audit costs have already begun to decline for several audits initiated in fiscal years 1990 and 1991."

Some examples of costs savings in second year or subsequent audits of Federal agencies or programs follow.

- The costs of second year audits performed by GAO under the act for fiscal year 1993 are expected to decline by at least 40 percent.
- At Agriculture, with several years of audit experience, the Inspector General plans to reduce 1993 audit costs by over \$1 million from the fiscal year 1992 audit.
- The 1992 audit costs at the Social Security Administration decreased by over \$100,000 from the fiscal year 1991 audit.

In addition, with regard to costs of preparing financial statements, the Chief Financial Officers Council Operations Group reported to OMB in August 1993, that

"[M]ost CFOs report that they expect financial statement costs to gradually decline as their agencies move further along the experience curve of preparing the statements."

This reduced cost should result from improved records and more capable personnel at the agencies. Some agencies have already had declines in their costs of preparing financial statements after the first year's efforts. For example, according to the PCIE report, the Department of Justice reported that the cost of preparing statements decreased from about \$590,000 for fiscal year 1991, to about \$272,000 for fiscal year 1992.

Other Cost Considerations

When considering the incremental costs of the audits mandated by the act, one should consider (1) the necessary work that would have been performed by the inspectors general even if audits were not required and (2) the savings generated from the audits.

Inspectors general often perform work that is similar to that done in a financial audit that could be incorporated into the audit, allowing this type of work to be deferred and in some instances eliminated. Also, in several instances, savings attributable to audit findings exceeded the costs of the audits. Many of these financial savings achieved by agencies covered by the act were previously discussed, demonstrating that hundreds of millions of dollars of such savings have already been realized.

CONCLUSIONS

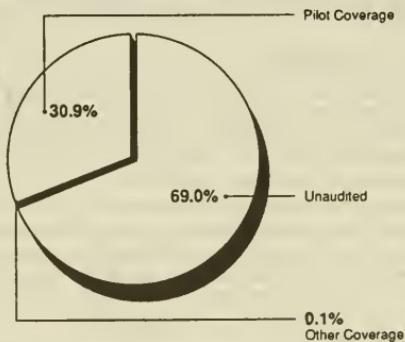
The act's first 3 years clearly represent a very successful start, and demonstrate the relevance of its provisions to improving government operations. Accurate and reliable cost information and performance data are essential if the executive branch and the Congress are to make informed decisions on the budget, tax policies, and the overall direction of government programs. Audited agency financial reporting provides an annual assessment of whether agencies achieved what they claimed to have achieved and whether funds were spent as authorized by the Congress—which, in the end, provides the accountability expected by the public.

ATTACHMENT

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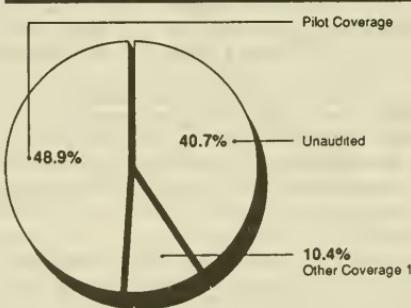
Figure 1

Before the CFO Act



Fiscal Year 1990

After the CFO Act



Fiscal Year 1992

1 Represents revolving funds, trust funds, and commercial activity

Sources

Budget of the United States, Fiscal Years 1994 and 1992Office of Management and Budget - Federal Financial Management Status Report and 5-Year Plan, August 1993The President's Council on Integrity and Efficiency, August 1993 Report

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Figure 2

DEPARTMENT/AGENCY REPORTING ENTITY	AUDIT COSTS (in millions)		TOTAL AUDIT COSTS (in millions)
	Preparation **	Audit***	
DEPARTMENTS/AGENCYWIDE PILOTS *			
HHS	\$3.3	\$2.6	\$6.1
Defense	2.5	29.7	32.2
Agriculture	2.2	6.0	6.2
Veterans Affairs	0.7	2.2	2.9
Labor	1.2	5.5	6.5
HUD	3.9	1.9	5.6
Treasury	2.8	12.5	15.3
GSA	0.2	0.9	1.1
SUBTOTAL	16.8	61.3	78.1
15 Other Departments or Agencies	7.6	14.5	22.1
Total Direct Costs	24.4	75.8	100.2
Indirect Costs	6.9	5.0	10.9
TOTAL COSTS	\$30.3	\$80.6	\$111.1

* The CFO Act mandates that 10 departments/agencies serve as "pilots". All but HHS, Defense, and Treasury were departmentwide audits. Within these Departments, the agencies audited included Social Security Administration, the Army, the Air Force, the Internal Revenue Service, and U.S. Customs Service, respectively.

** Source: The June 30, 1993 Council Operations Group Committee on Financial Statement Preparation and Audit Report

*** Source: The President's Council on Integrity and Efficiency August 1993 Report and the Office of Management and Budget's November 17, 1993 Report on the Preparation and Audit of Financial Statements

PREPARED STATEMENT OF ALICE RIVLIN

Thank you Mr. Chairman and Members of the Committee for the opportunity to testify in support of the portions of the Government Reform and Savings Act of 1993 (H.R. 3400) that are of particular interest to this Committee. The Government Reform and Savings Act of 1993 represents legislative proposals needed to implement many of the recommendations of Vice President Gore's National Performance Review (NPR), and gives us the tools we need to make government "work better and cost less". Those of greatest interest to this committee concern financial management, which I will address first, and human resources.

As OMB Director Leon Panetta testified recently, "Our primary management objective is to restore the public's faith in government by managing the government more effectively to give citizens and taxpayers more value for the dollar." We appreciate this Committee's leadership in improving Federal Government management. In particular, we appreciate the key role this Committee played in the passage of the Chief Financial Officers (CFOs) Act of 1990. The CFOs Act provides the framework for improved financial management in the Federal Government.

Financial Management

The National Performance Review strongly supports intensified efforts to implement the CFOs Act and fundamentally reform the way the Federal Government conducts its business. The stakes are high, with billions of taxpayer dollars potentially at risk due to problem-plagued financial operations and inadequate systems. The message about the weaknesses in our existing financial management infrastructure hits home in OMB's High Risk List which monitors the most serious cases. A significant number of the High Risk areas exhibit weaknesses directly or indirectly related to financial management. Fifteen of the 23 agencies covered by the CFOs Act have financial systems on the OMB High Risk List.

Sound financial management is indispensable to achieving the goals of efficient and effective government. Numerous improvements have been made following enactment of the CFOs Act; however, much remains to be done. The attached chart, a copy of which I would like to submit for the record, appeared for the first time in the President's 1995 Budget and presents a picture of financial management in the Federal Government. It indicates that significant challenges remain for the 23 agencies. For example:

- Seven of the agencies could not provide the required audited financial statements.
- Only 2 agencies (NSF and GSA) received unqualified (clean) opinions for all of their required audited financial statements, although, of the 95 statements the agencies prepared, 37 were determined to be in accordance with prescribed accounting standards.
- Only 2 agencies had no material weaknesses in accounting controls.
- Only five agencies showed increased collections on receivables and reduced delinquencies.
- Only one agency, the General Services Administration, met the goal of having made 95 percent of its payments on time as verified by a reliable reporting system.

The High Risk Chart and financial indicators chart provide a clear signal that we have a long way to go in Federal financial management. H.R. 3400 provides tools we need to do our jobs better, including measures to promote electronic government, improve financial management systems, increase accountability to the Congress and the public, streamline the financial management reporting process, and collect more of the money that is owed to the Federal Government.

Promoting Electronic Government

The National Performance Review reminds us that private financial transactions have become a lot easier and cheaper in the past decade: bank cash machines are open 24 hours a day, credit cards let us avoid carrying cash, and we can buy goods with touch-button telephones. This saves many of us a lot of time and money.

The National Performance Review recommends the expanded use of electronic disbursement and collections systems. This includes direct deposit (DD/EFT) of payments to recipients with bank accounts, and electronic benefits transfer (EBT) by plastic debit card for those without bank accounts and for those receiving assistance from the Food Stamps Program. The goal is to replace the printing, sorting, mailing, processing, and reconciliation of paper checks and paper food stamp coupons, as well as to eliminate the costs of lost or stolen paper checks and coupons and the costs of destroying food stamp coupons after they are redeemed by food stores.

We recognize that electronic banking presents security problems in the same way that paper-based collections and disbursements systems do. However, the risks are

different. Instead of people forging endorsements, there will be misuse of passwords. Be assured that this Administration will take an aggressive approach to building proper protections into all collection and payment systems that use electronic funds transfers.

The National Performance Review recommends the rapid development of a nationwide system to deliver Government benefits electronically. The current proposal requires that all new Federal employees and new Federal retirees receive salary and retirement payments, respectively, through EFT. While this is a significant step toward promoting modern electronic government in the delivery of payment services, further steps may be needed. The National Performance Review makes a strong case for EFT as the presumed method for all Federal payments, including payments to current and new Federal employees and retirees, to vendors, and to benefit recipients. Making EFT the presumed method of payment will greatly accelerate our efforts to expand electronic government; but would allow for the use of paper checks when requested or when cost-effective.

Our effort to develop EBT Nationwide also responds to the NPR recommendation. OMB is working closely with USDA, HHS, and Treasury to complete a plan for rapid national deployment of EBT that will give all recipients of government cash benefits electronic access to those benefits (at point-of-sale terminals and automated teller machines) on a single card. The pilot test of EBT shows that clients feel more secure with a plastic card. Also, the USDA Inspector General has reported that EBT is preferable to food stamps as a tool to avoid fraud and waste. The plan, with recommendations to the Vice President, will be completed next month. We look forward to sharing the results with this Committee.

Improving Efficiency of Administrative Support Services

As we continue to face shrinking resources, we must find ways to provide administrative support services as effectively and efficiently as possible. However, in the Government environment, our ability to do that is often limited.

For example, the 23 largest agencies use over 800 computer systems to support their financial management functions. Thirty percent of these systems are over 10 years old, often with antiquated technology. One of every three of the Federal Government's financial systems cannot support OMB's, Treasury's, or their own reporting requirements. This is largely due to an historical inability by the Federal Government to adequately define data needs, develop standardized system requirements, and consistently fund improvements in the financial system infrastructure.

While extensive efforts are underway to streamline financial systems and improve data quality, consistent investments in these efforts at reasonable levels are necessary. Conflicting priorities in agencies have seriously limited their ability to direct limited resources toward the delivery of better services at more reasonable costs.

The same inefficiencies exist in many other administrative services such as records management, property management, and mail management.

The term franchising is used to describe a common administrative support service provided competitively on a reimbursable basis to more than one agency. The service is conducted according to appropriate criteria and standards. Franchise funds will provide a means whereby agencies can provide and/or obtain common administrative services on a competitive basis—that is for a negotiated, market-driven price. This will help to assure the agencies do business with whichever service provider can provide the best service for the best value—an alternative that is very important when resources are shrinking.

I want to point out that the franchise funds are different than the existing working capital funds. The existing working capital funds, for the most part, are not required to be competitive. Most, in effect, are monopolies. The buying agencies must obtain the services from the working capital funds. As long as these funds do not have to compete for business, they can continue to operate poorly and with the losses that GAO has identified.

On the other hand, franchise funds, as we are proposing them, are agency enterprises that can provide services on a reimbursable basis to buyers who can also obtain the services from other providers, including private sector providers. This opportunity for the agencies to shop for the best value, as well as the fact that the franchise funds are intended to be self-supporting, provides the greatest assurance that the franchise funds will operate efficiently. If they do not, the buying agencies will simply stop buying from the franchise funds, and the franchise funds will go out of existence.

Also, there will be numerous controls built into the process to assure the funds are responsive to their customers' needs, OMB oversight, and Congressional concerns. Examples are requirements that the fund establish an advisory board comprised of its customers, be subject to the Funds Control Procedures prescribed in

OMB Circular A-34, obtain annual financial audits and maintain and publish performance measures.

Innovation Funds

The Act would also authorize the establishment of innovation funds to provide a self-sustaining source of funding for special program-related projects designed to improve productivity, generate cost savings, or provide better service to the program's constituents and taxpayers. Agencies would make loans to components wishing to engage in innovative projects. Borrowed funds would be repaid to the innovation fund.

For example, the Nationwide EBT system I spoke about previously will provide substantial cost savings and other benefits. However, its development and implementation is going to require an up-front investment. A portion of the investment could come from an innovation fund loan. The loan would be repaid with the significant savings that would result from the need to no longer use costly paper-based benefit delivery systems.

Another feature of the fund, as we are proposing it, is that it will provide an incentive to reduce wasteful spending. We are proposing that the seed capital for an agency's innovation fund come from no more than 50 percent of the unobligated balances of the non-S&E funds during the first 3 years. (A similar approach is prescribed for the franchise funds. A portion of the initial capital would be provided by transferring no more than 50 percent of any balances of salaries and expenses (S&E) funds left unobligated at the end of the year for the first 3 years of a franchise fund's existence.) Permitting this carryover of funds for specific administrative support and program needs that are consistent with the intent of the original appropriation will help discourage the wasteful spending that frequently occurs at year end.

Streamlining the Financial Management Reporting Process

H.R. 3400 provides for the streamlining of management reports mandated by Congress. These provisions will benefit both the Congress and the agencies by providing the same important information in a better format, eliminating redundant reports, and saving staff time in the preparation and analysis of multiple reports. The report streamlining applies to all types of reports and we have developed a phased approach to implementing the streamlining. The first phase deals exclusively with reports that are of particular interest to this Committee. Additional phases deal with procurement, regulatory, and general management and programs. We have begun our efforts in the first phase to streamline financial management reports.

A letter has been sent to your Committee requesting approval of a pilot project to consolidate five statutory financial management reports that OMB submits to Congress. If we are successful in consolidating these OMB reports to Congress, we can, in turn, apply the same efficiencies to other agency reports submitted to OMB.

Increasing Accountability to the Public

We believe that the organizational discipline that arises as a result of financial statement audits serves to strengthen financial management. A clean audit opinion is an objective assurance to taxpayers that we can accurately account for their dollars. It also provides you and your fellow Congress persons assurance that the financial information with which you are making decisions is reliable and relevant. That is the goal we are aiming for—for every major Federal agency.

Also, audited financial statements have been and will continue to be a vehicle with which the agencies can report program performance measures—a reporting process that is of great interest to this Committee.

H.R. 3400 expands the requirement for audited financial statements to all operations and activities in the 23 CFOs Act agencies. It would require annual agency-wide audited financial statements beginning with fiscal year 1996.

The Federal Government has only been auditing agency financial statements for the past few years. Currently, only 55 percent of gross budget authority is audited at the agency level. Of 95 reporting entities who submitted audited financial statements for 1992, only 37 were determined by independent audit to be in conformity with prescribed accounting standards. However, the value of the financial statement preparation and audit process has been shown through improvements made in agencies that have a longer history of issuing audited financial statements—the Social Security Administration and the Department of Labor, to name two. In these two instances, numerous weaknesses in accounting controls present when the audits first started no longer exist.

The need for agency audited financial statements is made even more apparent when the size of Federal agencies is considered. Most of them are larger than Fortune 500 companies, some with cash flows in the hundreds of billions of dollars.

H.R. 3400 provides the foundation for the type of comprehensive, government-wide financial statements recommended in the NPR report for enhanced accountability to the public.

Collecting More Money Owed to the Federal Government

The Act has several provisions for improving the collection of receivables. At the end of fiscal year 1993, delinquent non-tax receivables due the Federal Government totalled \$44 billion, a decrease of \$3 billion since the end of fiscal year 1992. Resulting in part from improved economic conditions, delinquencies were down in four of the five major credit agencies and collections were up in all five.

Although a significant portion of the delinquent debt is uncollectible due to factors such as bankruptcy, inability to locate the debtor, and various legislative restrictions, a substantial amount becomes more collectible when agencies apply their resources to debt collection. Unfortunately, many agencies' resources are too scarce to fund more intensive collection efforts.

Our proposal would authorize appropriations of up to 1 percent of all delinquent debt collections and up to 10 percent of sustained annual increases in delinquent debt collections for agencies to enhance debt collection activities. Amounts appropriated would be used only for debt collection activities, including account and loan servicing, delinquent debt collection, and asset disposition.

Another provision removes the current restriction on some Federal agencies from paying private collection agencies out of amounts recovered. This restriction discourages these agencies from hiring private collection contractors. Removing the restriction will provide another option for collection mechanisms for the Customs Service and the Department of Health and Human Services (HHS). Private collection agencies would not be used to pursue delinquent debts of any individuals who are currently receiving benefits under programs at HHS covered by the Social Security Act.

The Federal Government fails to collect over half of the civil monetary penalties it is owed, thus weakening enforcement of environmental, health, and safety regulations. Efforts to improve collection of these debts are already underway. The Act would also require inflationary adjustments to statutorily established civil monetary penalty rates. This indexing would ensure that the deterrent effect of Federal penalties do not diminish over time.

Human Resources Management

Section 8001 of the bill would limit pay raises for Members of Congress, judges, the Vice President and Executive Schedule employees to no more than the increase for General Schedule employees that is based on the Employment Cost Index. This section was added by the House. The Administration defers to the Congress on the matter of pay for members and judges. We would have no objection to this section as it relates to executive branch employees.

Section 8002 of the bill would specify limits on Executive Branch employment.

Let me say first that the President is committed to a reduction of 252,000 full-time-equivalent employment (FTE) from the 1993 base of 2,155,000 FTEs. The President's fiscal year 1995 Budget shows fiscal year 1995 FTEs of 2,037,000—a 118,000 reduction on the way to that goal. We believe this budget request is a responsible approach to balancing the needs of the Nation with the imperative of achieving a government that works better at less cost. The budget combines the need for additional employment in some agencies such as Education, Justice, EPA and EEOC, with reductions elsewhere as we all strive to streamline and meet the objectives of the NPR.

The employment reductions required by H.R. 3400 cut too deeply too quickly. The President's budget FTE numbers put us on a responsible track to reach the objective. We would be happy to work with the Congress to reach a mutually agreeable FTE path to achieve the 252,000 reduction.

Section 13001 of the bill would provide for more flexible training of Federal employees. The Administration proposed this language, which was recently passed by the Senate in its version of the buyout bill.

Conclusion

The passage of H.R. 3400 will lead to increased use of electronic government, improvements in financial management information systems, increased accountability, streamlined reporting, and the collection of more money that is owed to the Government. All of this will benefit the taxpayers, and is a big step towards reinventing the Federal Government.

We encourage early passage of a satisfactory bill that could have a positive effect on the fiscal year 1995 budget process. I look forward to working with your Committee on these important management issues.

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Oversight, Committee on Ways
and Means, U.S. House of Representatives

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TAX ADMINISTRATION

Electronic Filing Fraud

**Statement of Jennie S. Stathis, Director
Tax Policy and Administration Issues
General Government Division**



ELECTRONIC FILING FRAUD

SUMMARY STATEMENT OF
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In 1993, IRS received about 115 million individual income tax returns. Of those, about 12 million were filed electronically--13 percent more than in 1992. By comparison, IRS identified 25,633 fraudulent electronic returns during the first 10 months of 1993 compared to 12,488 for the same period in 1992 --a 105 percent increase.

Electronic filing fraud is a problem whose true dimensions are unknown. The number of identified fraudulent electronic returns is relatively small, but the rate of growth is high and it is uncertain how much fraud might be going undetected. In the past, IRS has often appeared more interested in expanding electronic filing than in ensuring that it fully understood and adequately addressed the associated risks. As a result, IRS has been in a reactive posture--adding controls every year in the hope of effectively dealing with a problem that it did not fully understand. With IRS planning to expand to 80 million electronic returns by 2001, IRS must thoroughly assess its controls and determine what is needed to adequately protect the government's revenues.

GAO has made several recommendations directed at improving IRS' controls over electronic filing fraud. The recommendations involved (1) changes to the electronic filing system that would help prevent fraudulent returns from being filed, (2) better detection of fraudulent returns that have been filed, and (3) improved screening and monitoring of persons and firms authorized to transmit returns electronically to IRS. Some of those recommendations have not yet been implemented.

In the longer term, IRS must ensure that fraud control needs, like various up-front matching capabilities, are fully identified and considered in planning its systems modernization program. It is also important that IRS learn from its electronic filing experience by building adequate controls into the design of future systems, like TeleFile (the system that allows certain taxpayers to file their returns over the telephone), and assuring that those controls are adequate before nationwide implementation.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to participate in the Subcommittee's inquiry into refund fraud. Our statement focuses on electronic filing fraud, an area on which we have previously reported.¹

Electronic filing fraud, while an important issue today, will become even more critical as IRS moves toward its goal of 80 million electronic returns by 2001. We wholeheartedly support the need to convert IRS from a paper environment to a more modern electronic one. But the conversion must be accompanied by adequate controls against fraud. In the past, IRS has often appeared more interested in expanding electronic filing than in ensuring that it fully understood and adequately addressed the associated risks. As a result, IRS has been in a reactive posture--adding controls every year in the hope of effectively dealing with a problem that it did not fully understand.

Thus far, the number of electronic returns identified as fraudulent is relatively small. The high rate of growth in that number is of concern, however, because it could reflect an increase in fraudulent activity rather than the result of

¹Tax Administration: IRS Can Improve Controls Over Electronic Filing Fraud (GAO/GGD-93-27, Dec. 30, 1992) and Tax Administration: Increased Fraud and Poor Taxpayer Access to IRS Cloud 1993 Filing Season (GAO/GGD-94-65, Dec. 22, 1993).

increased IRS monitoring. More troubling is the uncertainty as to how much fraud might be going undetected.

In 1993, IRS received about 115 million individual income tax returns. About 12 million of the returns were filed electronically, or 13 percent more than in 1992. By comparison, IRS identified 105 percent more fraudulent electronic returns--25,633 during the first 10 months of 1993 compared to 12,488 for the same period in 1992. These 25,633 fraudulent returns claimed refunds of about \$53 million, of which IRS reported stopping about \$29 million before checks were mailed or funds were transferred to a bank account. However, a recent IRS internal audit report estimated that about \$3 million of the refunds IRS reported as stopped had actually been issued.

PREVENTING FRAUD THROUGH DESIGN CHANGES

The risk of electronic filing fraud could be reduced through changes in the system's design. The system is not fully electronic. Taxpayers can file tax data electronically but must still send in paper documents with their handwritten signatures. Those signatures have been of little value in helping control fraud because IRS does not delay issuing a refund until it receives the paper signature.

Electronic signatures would not only make electronic filing more efficient by eliminating paper but, if implemented correctly, could help control fraud--especially if IRS intends to eventually allow taxpayers to file electronically from their own computers. IRS has prepared a legislative proposal that would allow it to use alternatives to paper signatures. A similar proposal was included in H.R. 11, which was passed by Congress in 1992 but was vetoed for reasons unrelated to the proposal. The proposal has not yet been resubmitted.

The one aspect of electronic filing that most attracts taxpayers is the speed with which they can get their refunds. That speed makes it difficult for IRS to effectively identify and stop questionable refunds once an electronic return has been filed. One way to deal with that problem is to prevent questionable returns from being filed.

Toward that end, IRS, in the last couple of years, has implemented some controls at the front of the electronic filing process. Before accepting an electronic transmission, for example, IRS first verifies that the taxpayer's name and Social Security number on the electronic transmission matches information in IRS' records. If there is a mismatch, IRS will not accept the filing. In 1993, this computer check resulted in IRS rejecting about 240,000 electronic returns. IRS does not know, however, how many of those returns involved attempted fraud

or how many were the result of honest errors by taxpayers or preparers in recording or transcribing names and/or Social Security numbers.

More up-front checks are needed. In that regard, we recommended in 1992 that IRS work toward electronically matching employer wage information with electronic return data.² That kind of match is currently beyond IRS' capabilities. Currently, employer wage information other than that provided by taxpayers is not available to IRS until after it has processed taxpayers' returns. This is because of the time it takes to verify the information and correct any errors.

Under the Electronic Management System--one of many planned components of IRS' multibillion dollar systems modernization effort--IRS expects to electronically receive tax returns, tax information documents (like W-2s), and correspondence. Electronic transmission of W-2s would enable IRS to more quickly verify and correct the information, thus offering the possibility of having that information available to match with data being reported on electronic returns.

²GAO/GGD-93-27.

BETTER DETECTING FRAUDULENT RETURNS

Once an electronic return is filed, IRS' primary means of detecting fraud involves manual reviews of electronic return data by analysts in IRS' service centers. After accepting an electronic return, IRS uses computerized screening criteria to identify questionable returns for possible review by an analyst. As we reported in December 1992, problems with those criteria resulted in more returns being identified as questionable than service center staff could review.

Even after IRS revised the criteria, as we reported in December 1993 to this Subcommittee, the computer screening/manual review process was still labor intensive and inefficient.³ We noted, for example, that of the approximately 3 million potentially fraudulent returns IRS reviewed in 1993, less than 1 percent were determined to be fraudulent.

Because IRS data showed that many fraudulent electronic returns had been filed by first-time filers (persons who had no filing history that IRS could check names and Social Security numbers against), we recommended in 1992 that IRS revise its computer screening criteria to specifically identify electronic returns from first-time filers as questionable returns for further investigation. IRS has since done that and has implemented

³GAO/GGD-94-65.

procedures to give itself more time to assess the credibility of a first-time filer's return before releasing the refund.

As of April 23, 1993, IRS had identified about 157,000 returns submitted by first-time filers. IRS' Internal Audit recently reported, however, that 44 percent of those returns were mistakenly identified because IRS' computer program did not check to see if the person had filed in prior years as a secondary taxpayer on a joint return. As a result, those taxpayers had their refunds delayed unnecessarily.

BETTER SCREENING AND MONITORING OF PREPARERS
AND TRANSMITTERS OF ELECTRONIC RETURNS

To file electronically, taxpayers can have an IRS-approved practitioner prepare and submit the return or they can take a return that they have prepared to an individual or business that IRS has approved as a transmitter. Because some preparers and transmitters have been involved in schemes involving fraudulent electronic returns, we recommended in 1992 that IRS do more to check the backgrounds of these persons when they apply to participate in the electronic filing program.

One step we recommended was that IRS obtain access to the National Crime Information Center database. That national database, maintained by the Federal Bureau of Investigation (FBI), contains information on various types of federal, state,

and local crime convictions. In a December 1993 memorandum to the Assistant Commissioner for Criminal Investigation, IRS' Assistant Chief Counsel for Criminal Tax noted, after consulting with the FBI, that use of this database for suitability checks would require either an executive order or legislation. We understand that Criminal Investigation will be asking Chief Counsel to draft proposed legislation.

Because we believe that the many honest providers of electronic filing services also have a responsibility to help protect against fraud, we recommended that IRS require return preparers and transmitters to obtain and retain copies of two forms of identification, one with a photo, from persons wanting to file electronically. At the time of our report, IRS said that it would revise its procedures to include such a requirement for the 1994 filing season. IRS has since decided not to require but only recommend that two forms of identification be obtained. IRS concluded that it would not have resources to effectively monitor compliance with such a requirement. We believe that IRS should impose this requirement even if it is only able to monitor the activities of a small number of preparers and transmitters. IRS should also consider whether an increase in monitoring resources is warranted as a step toward improving fraud control.

CONCLUSIONS

Electronic filing fraud is a problem that requires urgent IRS attention, and IRS has a number of ongoing efforts. We continue to believe that our open recommendations, which are listed in the appendix, have merit and should be implemented as part of those efforts.

In the longer term, it is critical that IRS thoroughly assess its controls and determine what is needed to adequately protect the government's revenues. With a goal of 80 million electronic returns by 2001, IRS must ensure that fraud control needs, like various up-front matching capabilities, are fully identified and considered in planning its systems modernization program. It is also important that IRS learn from its electronic filing experience by building adequate controls into the design of future systems, like TeleFile (which allows certain taxpayers to file their returns over the telephone), and assuring that those controls are adequate before nationwide implementation.

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That concludes my statement. We welcome any questions you may have.

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STATUS OF GAO RECOMMENDATIONS

In our report entitled Tax Administration: IRS Can Improve Controls Over Electronic Filing Fraud (GAO/GGD-93-27, Dec. 30, 1992), we made several recommendations. A list of the recommendations and our understanding of IRS' status in implementing them follows.

RECOMMENDATION 1

IRS should seek approval to allow Criminal Investigation staff access to National Crime Information Center data for the purpose of checking the background of electronic filing applicants. Until that approval is obtained, district offices should use the National Law Enforcement Telecommunications System to check criminal records maintained by state and local law enforcement authorities.

Status (Open)

In a December 1993 memorandum to the Assistant Commissioner for Criminal Investigation, IRS' Assistant Chief Counsel for Criminal Tax noted, after consulting with the FBI, that use of this database for suitability checks would require either an executive order or legislation. We understand that Criminal Investigation will be asking Chief Counsel to draft proposed legislation. In May 1993, in response to the second part of our recommendation, the Assistant Commissioner for Criminal Investigation sent a memo to all regions telling them that each district office "should determine with their respective states if the information [in the National Law Enforcement Telecommunications System] can be used for the suitability checks." We do not know how many district offices, if any, have contacted the states and/or gotten access to that system.

RECOMMENDATION 2

IRS should identify electronic filing preparers/transmitters on IRS computer files so that past year electronic filing participants who did not pay taxes or file returns or who otherwise failed to meet electronic filing requirements can be included in the annual suitability screening process.

Status (Implemented)

Our recommendation anticipated that IRS would identify electronic filing preparers/transmitters on its Master File so that those who become delinquent in their tax responsibilities after being accepted into the electronic filing program can be automatically identified for follow up. Instead, according to IRS, it is

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achieving the same end by bumping a separate file of preparers/transmitters against the Master File. What happens to those preparers/transmitters identified by such matching depends on the type and severity of the problem. IRS' actions appear responsive to our recommendation; we have done no audit work to verify it.

RECOMMENDATION 3

IRS should establish rejection standards for preparers and transmitters applying to participate in the electronic filing program who habitually fail to pay their taxes or file their returns on time.

Status (Open)

IRS said that it has standards and will review them with field office staff and emphasize their importance. We are not convinced that the standards of which IRS speaks meet the intent of our recommendation.

RECOMMENDATION 4

IRS should establish a procedure to review electronic filing coordinators' suitability decisions.

Status (Open)

According to IRS, regional electronic filing coordinators are reviewing district office electronic filing coordinators' decisions. However, IRS is still developing a specific procedure spelling out just what is to be covered in those reviews. Although having regional coordinators review district office coordinators' decisions is an improvement over the condition that existed at the time of our review, we believe that it would be more appropriate to have the reviews done by persons not involved in promoting the electronic filing program so as to avoid conflicts of interest. That is why we had suggested that the reviews be done by district office quality review staff.

RECOMMENDATION 5

IRS should follow through on plans to develop improved computer checks for identifying questionable electronic returns in time for the 1993 filing season. These checks should be based on analyses of the perpetrators of electronic filing schemes and not restrict service center fraud detection teams from adapting the checks as fraud schemes are identified during the filing season. As it modernizes its computer systems, IRS should also consider electronically matching employer wage information with electronic

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return data as a means of validating information on electronic returns.

Status (Partially Implemented)

IRS modified the computer checks used in 1993 and planned further changes for 1994, including enabling service center teams to adapt those checks to meet local conditions. It also plans to eventually use artificial intelligence. In the longer term, IRS said it is working with the Social Security Administration to find ways to expedite wage withholding information to match against amounts claimed on tax returns.

RECOMMENDATION 6

IRS should classify electronic returns from first-time filers as questionable returns for further investigation and delay processing those returns until the validity of the filer can be established.

Status (Implemented)

In 1993, IRS implemented special procedures for electronic returns filed by first-time filers that, in effect, provided investigative staff with more time to assess the validity of the filer and/or the return. IRS has implemented additional procedures for 1994 that will preclude first-time filers from getting a direct deposit (and thus a Refund Anticipation Loan). This will give IRS more time to assess the return's validity before issuing the refund.

RECOMMENDATION 7

IRS should require that preparers/transmitters obtain at least two pieces of identification from electronic filers before transmitting their returns and retain the pieces of identification with taxpayers' records. One piece of identification should be a picture identification.

Status (Open)

Because it was too late to do anything differently for 1993, IRS only recommended that two pieces of identification be obtained that year. IRS said that it would require this in 1994. IRS has since changed its mind, we are told, because it would not have had resources available to monitor compliance with such a requirement.

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RECOMMENDATION 8

Until electronic filing paper documents are no longer required, IRS should (1) follow established procedures for warning and suspending preparers/transmitters who do not submit timely paper documents and (2) discontinue issuing refunds until the associated electronic return can be matched with a corresponding taxpayer signature document.

Status (Partially Implemented)

According to IRS officials in Washington and the field, IRS has been sending out warning notices and suspending some preparers/transmitters. We were told that a notice went out in October 1993 to all preparers/transmitters who had not submitted required documentation for 5 percent or more of the electronic returns they submitted telling them that they are being suspended from the program. Staff at one service center told us that the center has since suspended about 60 preparers and transmitters.

IRS did not agree with the second part of our recommendation, saying it would defeat the purpose of electronic filing.

We also had a recommendation in our December 22, 1993, report to the Oversight Subcommittee (Tax Administration: Increased Fraud and Poor Taxpayer Access to IRS Cloud 1993 Filing Season) that was directed at further enhancing IRS' computer screening criteria.

RECOMMENDATION 9

IRS' Criminal Investigation Division should (1) analyze the fraud cases IRS identified from information provided by banks that provide Refund Anticipation Loans (RALs) to see if those cases involve unique features that should be included in IRS' computer screening criteria and (2) determine which RAL banks were used for fraudulent refunds to see if special attention should be given to banks that do not use the Fraud Service Bureau.

Status (Open)

IRS agreed with our recommendation but has not yet begun these analyses.

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RELATED GAO PRODUCTS

Internal Revenue Service: Opportunities to Reduce Taxpayer Burden Through Return-Free Filing (GAO/GGD-92-88BR, May 8, 1992).

Tax Administration: IRS Can Improve Controls Over Electronic Filing Fraud (GAO/GGD-93-27, Dec. 30, 1992).

Tax Administration: Opportunities to Increase the Use of Electronic Filing (GAO/GGD-93-40, Jan. 22, 1993).

Tax Administration: IRS' Test of Tax Return Filing by Telephone (GAO/GGD-93-91BR, Apr. 26, 1993).

Tax Administration: Increased Fraud and Poor Taxpayer Access to IRS Cloud 1993 Filing Season (GAO/GGD-94-65, Dec. 22, 1993).

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Agency	FY 92 Budget Authority (billions)	FY 92 Financial Statement Audits				Receivables			Cash Management	
		Percent Audit Coverage (2)	Unqualified Audit Opinions	Material Weaknesses In Accounting Controls	Percent Delinquent (3)	Percent Change In Delinquencies	Percent Change In Collections	Percent Timely Payments (4)	Percent Payroll By EFT	
Goals	n/a	All	0	n/a	Decrease	Increase	95	90		
HHS	559.6	51	1 of 5	10	28	69	28	95	85	
TREAS (5)	295.7	81	4 of 10	24	81	0	-10	78	84	
DOD	281.9	58	2 of 15	19	7	0	0	93	87	
USDA	66.3	100	5 of 7	34	10	-16	11	99	75	
DOL	48.2	100	0 of 1	5	53	9	7	94	74	
DOT	36.2	61	1 of 4	9	68	5	-6	85	92	
OPM	35.8	20	0 of 4	5	68	13	-5	77	83	
VA	33.9	100	0 of 1	5	72	-7	18	82	81	
ED	28.8	23	1 of 2	3	81	-13	4	94	93	
HUD	25.0	100	1 of 3	8	15	-1	5	81	88	
DOE	17.2	21	10 of 11	11	61	5	-9	93	87	
NASA	14.3	100	0 of 1	5	13	0	-3	97	91	
DOJ	10.0	11	4 of 5	6	42	-22	15	80	85	
DOI	7.1	41	0 of 5	12	19	3	32	78	78	
EPA	6.5	26	0 of 5	9	52	58	-14	98	89	
AID	5.7	2	3 of 5	4	2	-49	.9	79	96	
DOS	5.2	12	0 of 2	11	73	-74	-75	54	93	
FEMA	4.8	13	2 of 4	2	12	0	459	91	83	
DOC	3.0	1	1 of 1	0	23	-49	-21	90	86	
NSF	2.6	1	1 of 1	0	58	-70	-17	n/a	90	
SBA	1.9	86	0 of 1	3	24	2	2	51	85	
GSA	0.4	100	1 of 1	1	71	5	12	95	83	
NRC	0.02	100	0 of 1	4	20	23	3	52	95	

(1) Boldface indicates the Agency is meeting financial management goals.

(2) Agencies that are not in boldface did not achieve the audit coverage required by the CFOs Act. The percentage of audit coverage required varies by agency and includes spending authority from offsetting collections.

(3) A significant portion of the delinquent debt is estimated to be uncollectible due to factors such as bankruptcy, inability to locate the debtor, and various legislative restrictions.

(4) Timely payment statistics in excess of 95 percent that are not in boldface could not be verified by a reliable quality control system.

(5) The percent audit coverage excludes interest on the public debt.

n/a = Not applicable.



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